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**KEEPING ACCOUNTS: A CASE STUDY OF CIVIC INITIATIVES AND CAMPAIGN FINANCE OVERSIGHT IN
ARGENTINA**
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Oversight in Argentina**

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Abbreviations and Translations

ACO: Anti-Corruption Office
Aerolíneas Argentinas: One major SOE that underwent attempted privatization
AGN: *Auditoría General de la Nación*- General Auditing Office of the Nation
Alianza and *Encuentro por la Ciudad*: two prominent Argentine political parties
Boletín Oficial: Official Bulletin
Bonos Externos: Dollar-dominated bonds
Cámara Nacional Electoral: National Argentine Electoral College
Centro de Comunicación Científica: Center for Scientific Communication (University of Buenos Aires)
Dirección Nacional: National Bureau
DNU: *decretos de necesidad y urgencia*- emergency decrees
ENTel: Argentine telecoms company
FFP: *Fondo Partido Permanente*- Permanent Party Fund
Fiscalía Nacional de Investigaciones: National Investigative Prosecution
Fundaciones políticas: political foundations
Gas del Estado: state gas corporation
Inspector General de Justicia: Inspector General of the Public
IRIS: The Center for Institutional Reform and the Informal Sector
NGO: Non-Governmental Organization
Nueva Mayoría: Argentine poll agency
Oficina Nacional de Presupuesto: Office of the National Budget
Pacto de Olivos: Menem-Alfonsín agreement on amendments to the 1853 Constitution
PC: *Poder Ciudadano*- a non-governmental organization based in Buenos Aires
PJ: *Partido Justicialista*- One of two major parties in the Argentine Congress
Registro Nacional de las Personas: National Argentine Register
Secretería de Estado: State Secretariat
SIGEN: *Sindicatura General de la Nación*: General Accounting Agency of the Nation
SIGEP: *Sindicatura General de Empresa Públicas*- General Accounting Agency for State Corporations
SOE: State-Owned Enterprise
TCN: *Tribunal de Cuentas de la Nación*- National Accounting Tribunal
TI: Transparency International
Transparencia de las Campañas Electorales: “Pact of Integrity” created by PC
Tribunal de Cuentas: Accounting Court
Tribunal Nacional Electoral: National Electoral Tribunal
UCR: *Unión Cívica Radical*- One of two major parties in the Argentine Congress
UE: *Unidad Electoral*- formula that determines funds available to political parties proportional to the number of votes obtained in the last election

Currency Conversion

\$ = U.S. dollar or Argentine peso

Since the 1991 Convertability law, Argentina has adopted a fixed parity with the U.S. dollar where one Argentine peso is equal to one U.S. dollar. Prior to this date, all figures are in U.S. dollars only.

Chapter I

Introduction

Scandals related to illegal campaign finance have become more and more common during the past decade. The 1990s were characterized by major corruption scandals in Italy, Japan, France, and Germany just to name a few. In the United States, a bill to reform the present system sponsored by Arizona Senator John McCain failed early this year as both Democrats and Republicans found it detrimental to their party finances.

Beginning after World War II the efforts of developed countries to combat corruption have focused on two areas:

- prevention through sophisticated laws regulating party financing, and
- incentives in the form of generous state contributions for electoral campaigns.

Why is there so much resistance to change? On the one hand, the costs associated with electoral campaigns have skyrocketed in recent years and further restrictive legislation may impose severe limits to a politician's ability to raise additional funds. On the other hand, in some European countries there is plenty of evidence that politicians have engaged in illegal fundraising, not simply to finance their parties, but also to enrich themselves.

While the debate about campaign finance in Western democracies has developed over several decades, and civil society has been increasingly effective in making politicians accountable for their actions, in developing countries, this is a new issue still in its infancy. For instance, in Latin America public concern over corruption related to party financing started building slowly in the mid-1990s and only in the last couple of years has the issue gathered momentum, particularly in the larger countries such as Argentina, Brazil, Chile, and Mexico. This should not be surprising. In the 1980s, when most of Latin America established democratic forms of government, the consolidation of democratic institutions and the solution of seemingly intractable problems like inflation and external debt absorbed much of the attention of politicians and citizens alike. In the late 1980s and early 1990s, policy-makers' focus shifted toward the design and implementation of market reforms. As political and economic normalcy ensued, so did the concern for issues such as corruption and transparency that up until then had been neglected.

This study analyzes how civil society has tackled the issue of corruption affecting campaign financing in Argentina. More specifically, we will see how *Poder Ciudadano* (PC), a non-governmental organization (NGO) based in Buenos Aires, has introduced some novel means to enlist the cooperation of politicians to disclose personal assets and electoral finances, an area where previous congressional efforts had failed. At a more general level, the study provides a critical overview of oversight institutions in Argentina and casts the issue of corruption vis-à-vis campaign financing within a larger context of high-level rent-seeking and weak mechanisms of control. Following this introduction and summary, a description of corruption problems in Argentina, including those that have plagued campaign finance, is given. An analysis of the roots of these problems follows, with a brief historical overview of institutional development in Argentina. Next,

efforts by government and by civil society to combat these problems are examined. The conclusion presents the lessons that these experiences embody.

The field research for this study was conducted from late April through early May of 2000 thanks to a grant from the United States Agency for International Development to the IRIS Center of the University of Maryland. The material for this study comes from official data and media reports, as well as open-ended interviews with politicians, journalists, academics, and members of NGOs in Argentina. Due to the sensitivity of the issues, many of the people interviewed asked to remain anonymous, but the information they provided was thoroughly verified, and when found reliable, included in this study.

Summary

In the 1990s, Argentina made great strides toward economic reform. What was one of the most protected economies in Latin America until the late 1980s, is today among the most open and market-friendly toward foreign investors. The impressive economic achievements of President Carlos Menem (1989-99) during the past decade, however, have not been matched by comparable progress in terms of democratic governance. In fact, the market reforms of the 1990s were often accomplished in a way that made a mockery of the rule of law. Media allegations of corruption involving Menem and many of his ministers and close friends became endemic, but did not lead to any meaningful judicial inquiries.¹

In general terms, corruption under the Menem administration took several forms including the granting of public contracts to private companies as a means to garner both political and economic support for the government, and to enrich the administration's officials, in complete disregard of cost-benefit analysis. Another example was the use of "managed" bidding procedures for the privatization of state owned enterprises (SOEs). The public institutions charged with controlling such abuses had been weakened in several ways that abetted corruption. The Supreme Court and lower courts were staffed with government sympathizers to prevent the use of the judicial system as a means of appeal against the administration's controversial decisions. In addition, those institutions in charge of oversight functions were either purged of honest officials, disbanded, or simply ignored. Public sector corruption in Argentina during the 1990s probably diverted public resources for private gain in an amount reaching well into billions of U.S. dollars overall. Given the stakes involved in public office and public policy, it is easy to understand the major parties' lack of enthusiasm for effective reform to date.

In terms of electoral campaign finance, the Argentine case presents the following features, which suggest significant levels of abuse:

- Corruption has been denounced primarily in provincial elections in the last few years. The most common means of electoral fraud has been the use of false identification documents. Such cases, however, have been rare for presidential and congressional elections where public scrutiny is greater than at the provincial level.

¹ The most recent of these accounts can be found in the *Washington Post*, 13 May 2000.

- The political foundations that most legislators chair today are not subject to any meaningful control and are therefore an effective tool to hide illegal funds.
- Financial disclosure by political parties, while mandated by law, tends to be generic and published only once a year in a government publication of very limited circulation.
- The amounts of money officially declared by parties in recent years are much lower than unofficial figures provided by media estimates.

Weak mechanisms of control allow these abuses to flourish. One important weakness is that the Ministry of Interior retains a monopoly of control over the gathering and transmission of electoral data without any monitoring from an independent commission, as happens in many countries. This is disturbing for some, since it leaves the incumbent administration with too much discretion to manipulate the process. Other weaknesses include: campaign finance laws that are outdated and not enforced, and electoral courts that are inadequate in terms of staff and resources and cannot effectively monitor party finances. More broadly, the legacy of authoritarianism and the compromised independence of most oversight agencies, despite attempts at reform in recent years, have abetted large-scale corruption that links political with administrative abuses.

Attempting to address this situation, Poder Ciudadano started a program in 1992 aimed at making candidates who were running for office in the Federal District of Buenos Aires more accountable to their voters. The program asked for the cooperation of candidates to provide a certified financial disclosure of their assets, as well as a written statement of their stance on major issues. In so doing, PC enlisted the help of volunteer citizens willing to participate in the program as interviewers of cooperating politicians.

The basic concept behind this initiative was, on the one hand, to bridge the gulf between voters and candidates that traditionally characterized Argentine politics, and, on the other, to bring some clarity into the financial background of politicians. By receiving such information, PC created a databank open to the public that could be used to verify the candidates' voluntary statements against those reported by the media before or after an election. By the same token, the databank could be used by politicians to illustrate their positive attitude toward greater accountability and transparency. Indeed, the increasing media exposure that the databank received since its inception became a strong *incentive* for the enlistment of greater numbers of candidates in the years that followed.

The success of the 1992-93 program led PC to start a similar program with regard to presidential candidates in 1995, as well as to those running for the House and Senate in the Federal District. The same methodology was also used for the gubernatorial race in the province of Buenos Aires, and the election of the city council and mayor of the Federal District later on.

In 1997, PC undertook a new initiative aimed at introducing greater transparency not only into the background of candidates running for office, but also into the even more sensitive issue of campaign finance. During that year, the candidates running for mayor in the Federal District agreed to have PC monitor their campaign expenditures. In 1999, PC redoubled its effort as the country entered the presidential elections. The candidates

from the major parties signed the so-called “Integrity Pact,” and, in accordance with the Pact, their campaign managers submitted the expenditures incurred on a monthly basis and allowed PC to compare such data with independent estimates by consulting firms specializing in accounting and media services.

PC made all its findings available to the public through press releases, booklets, and the internet. For the first time, thanks to the PC initiative, citizens had access to claimed expenditures of the most important presidential candidates as well as independent auditors’ estimations of actual expenditures. In other words, PC’s “Integrity Pact,” despite all its limitations, was able to accomplish what no law had done in Argentina’s history.

What were the results of Poder Ciudadano’s strategy? Clearly, some major improvements were achieved:

- Information about candidates, their finances, and presidential and gubernatorial campaigns, which had been either non-existent or scant at best, was made public to the citizenry for the first time.
- The content and credibility of the program drew significant media coverage, which in turn made possible the rapid diffusion of the results, reaching large sectors of the population beyond the reach of Poder Ciudadano.
- As a result of the media attention, more and more politicians decided to participate in the program in order to show their accessibility and democratic credentials.
- The program enabled interested citizens to establish direct contacts with candidates and make them accountable for their financial resources and policy stances.
- In 1997, the Federal District of Buenos Aires adopted reforms that limited the number of days devoted to electoral campaigns for mayor and city council, and required parties to disclose the sources of their funding—reforms that PC had been advocating since 1995.
- The success that the program experienced created a trickle down effect. Starting in the mid-1990s other NGOs operating in different Argentine cities sought Poder Ciudadano’s assistance to employ the databank methodology at the local level. Several Latin American NGOs asked for similar assistance as well.

An important follow-on to the databank and Integrity Pact has been the decision of Transparency International (TI), of which Poder Ciudadano is the Argentine chapter, to adopt the same methodology across Latin America. Plans are currently being made to devise a strategy so that TI’s Latin American chapters can replicate PC’s program in the upcoming congressional and presidential elections in their own countries.

What are the main lessons from the Argentine case that may also be of interest to Latin American (and other) countries? Here are some of the major ones:

Campaign finance reform must make transparency and enforcement its top priorities. In many Latin American countries, part of the corruption problem in campaign finance stems from a large number of loopholes in existing legislation. Further, if the existing laws were actually applied, the situation would surely be much better than it is. Therefore, effective reform means improving existing laws while strengthening their enforcement. This has specific implications for Argentina, including reforms of the *Cámara Nacional Electoral*.

Strengthening oversight institutions and reducing incentives for rent-seeking are long-term priorities. The weakening of key oversight agencies in Argentina helped open the door to massive corruption, thereby strengthening the incentives to purchase election outcomes. Thus, at the center of a long-term reform agenda is the reversal of this process. The consolidation of economic liberalization in Argentina and across Latin America, coupled with improved oversight of the public sector, should re-direct much of the energy now expended on illicit rent-seeking towards legitimate competition and creation of shareholder value.

Politicians do not lead the way to reform, but rather act upon being pressured. It is clear that most Argentine parties benefit from the lax nature of the existing system. Expecting Congress to dramatically reform the system is unrealistic, at least in the near term. The individual costs of forgoing questionable campaign finance methods are seen as prohibitive (i.e. handing victory to one's opponent), hence the collective good of a clean campaign finance system emerges only with extreme difficulty.

Pressure by civil society is most likely to produce lasting change. How can the political calculus blocking reform be changed? In Argentina, the evidence clearly points to civil society as the driving force for change in campaign finance rules. The first move in the direction of meaningful reform, the new campaign law passed by the Federal District, is the result of a grass roots campaign emerging from civil society in which Poder Ciudadano played an important role. Of course, difficult issues surround the emergence of an effective civil society itself, including some social prerequisites and even more obviously, institutional requirements such as a modicum of civil rights protection and a relatively free press.

Donor support is essential. Donors could facilitate such efforts as those described here by: (i) funding programs that make cooperation by several NGOs around a joint program a prerequisite for financial support; (ii) emphasizing the development of policy proposals from NGOs that can be presented to political parties; (iii) encouraging a greater effort by NGOs to make their programs accessible to mass participation; and (iv) putting pressure on recipient governments to upgrade their control mechanisms.

Demonstration effects multiply impact. PC's programs had a noticeable demonstration effect. PC's innovative approach created interest among similar civic associations in Argentina and across Latin America confronting the same issues. Other countries in which local NGOs requested PC's assistance include Mexico, Colombia, Panama, Guatemala, Ecuador, and the Dominican Republic. Collaboration with these different NGOs was sponsored through the Inter-American Network for Democracy funded by the U.S. Agency for International Development.

The habits of highly effective NGOs: The PC experience suggests a number of strategic points that like-minded organizations would do well to bear in mind including:

- *Start with transparency:* The availability of information makes many other things possible. If the basic prerequisites are in place, imposing transparency can be relatively quick and easy. A quick victory here may help build momentum for more change.
- *The domino effect:* The objective here is to encourage individual politicians to defect from the existing “gentlemen’s agreement” and thereby building pressure on hold-outs.
- *Take volunteers, but verify too:* Disclosure can mislead, if it is not accompanied by cross-checks and verification. These tasks require both material resources and expertise – commodities that NGOs often find hard to obtain.
- *Mobilize the private sector:* The business community has the most immediate stake in the campaign finance system, and is usually also the most obvious “deep pocket” for supporting NGO initiatives.
- *Don’t give them the satisfaction:* As PC discovered, opponents will exploit any opportunity to discredit reformers. It is therefore critical to screen activities and personnel very carefully in order to avoid potential conflicts of interest and to project a credible “squeaky clean” image.

Chapter II

The Problem

In a political system where the Executive is free from checks and balances, due process and the rule of law are prone to be bypassed in order to further partisan ends, which often results in abuse of power and corruption. Officials, in such a system, can easily engage in administrative corruption without fearing the repercussions due to weak congressional and judicial oversight. In the specific cases of campaign finance and electoral laws, when a given government directly controls enforcement of the electoral law, chances are that the informal and illegal procedures will become the norm.

It is now widely agreed that the period of the Menem administration (1989-1999) saw high, perhaps unprecedented, levels of corruption in Argentina – a country that had suffered its share of misgovernance and venality in the past. The Anti-Corruption Office (AOC) created in late 1999 by President Fernando de la Rúa (see below), has investigated, and even indicted, several high-profile former officials of the Menem administration. According to AOC lawyers interviewed in Buenos Aires, this is only the tip of the iceberg. A further indication of this state of affairs comes from Transparency International (TI), whose “corruption index” has listed Argentina as being consistently one of the most corrupt countries in the world during Menem’s tenure.²

The mechanisms of corruption will be further delved into in the next chapter, where we analyze its background causes. For now, general administrative corruption under the Menem administration can be summarized as falling into the following categories:

- Public contracts were granted to private companies as a means to garner both political and economic support for the government (Majul 1993, 1994), and to enrich the administration’s officials, in complete disregard of cost-benefit analysis.
- In several cases the privatization of state-owned enterprises (SOEs) was carried out in ways that appeared subject to “managed” bidding procedures (Verbitsky 1991).
- Trade liberalization policies, on occasion, were manipulated to extort bribes (Verbitsky 1991).

These forms of administrative corruption appear to have cost Argentina dearly. There are no estimates, let alone official figures, with regard to the amount of money wasted due to corruption during the Menem administration, and so any estimates would be conjectural. In the early 1990s, the president of the national association of banks described Argentina to be in a state of kleptocracy.

In 1990 for instance, Aerolíneas Argentinas, the first state-owned enterprise to be put on the auction block, was sold by the Argentine government to the Spanish carrier Iberia for U.S. \$260 million in cash and \$2 billion of Argentine debt in the secondary

² *Washington Post*, 13 March 2000, p. A01. TI is an NGO based in Berlin with chapters all over the world, whose goal is to fight corruption

market.³ According to a document of Iberia (Verbitsky 1991), the Spaniards spent \$80 million in “costs associated with the sale” of the Argentine airline. According to Verbitsky, this amount was the bribe the Spaniards paid. Now, \$80 million constitutes roughly 30 per cent of the Aerolíneas transaction, the usual percentage for a commission in those days to obtain a government contract.

If we now consider that the total amount of cash earned by the Menem administration (excluding debt reduction mechanisms and other side payments) from privatization between 1989-99 was about \$20 billion, and we assume that for every transaction a lower cut was solicited, let us say 20 per cent, the amount of cash generated from privatization in kickbacks is \$3.2 billion. Keep in mind that this calculation, while entirely speculative, does not consider other means of receiving money like import and export licenses, special permits, taxes, and so on. Some local bankers and journalists suspect that the whole amount during the Menem era was far greater than that.

Electoral Fraud

It is clear from the above that the stakes involved in winning electoral office are potentially enormous, including both the substantial formal powers and resources of the state and the informal influence wielded by officials over flows of illicit funds and favors. In fact, in terms of clean and transparent processes, Argentina fares better than most Latin American countries. Accounts of electoral fraud in presidential and congressional elections have been relatively few since 1983, and their results have usually been accepted by all parties concerned. We find a different situation, however, at the provincial level.⁴

During the 1990s, there were repeated allegations of fraud through the forgery of identity cards, as well as electoral roll tampering and even vote purchases. Instances of such cases were denounced in the city of Avellaneda (Buenos Aires province) and in the provinces of Misiones, Santiago del Estero, and Santa Fe. In the latter province in 1991 the ballot counting lasted three months and resulted in the defeat of the candidate who had initially been declared the winner by President Menem himself. However, given the fact that these events took place in far away provinces with limited media exposure, protest was limited. Some of these incidents were reported to civic associations and national media organizations, but did not translate into a generalized public outcry.

Electoral irregularities stem from three main problems: (a) tampering with the *Registro Nacional de las Personas* (National Register); (b) manipulation of electoral results; and (c) the Ministry of Interior’s computer management of electoral processes. Let us examine these problem areas in order:

Tampering with the National Register. There have been cases where two different voting registers existed for two nearby cities like Corrientes and Resistencia. Other problems arose from the absence or excessive delay in notification of change of address files, the inclusion in the register of deceased people, and the emission of multiple identity cards

³ In July 1989 an investor could buy one dollar (at face value) of Argentine debt for 13 cents.

⁴ Argentina is divided into a Federal District and 23 provinces having comparable institutional prerogatives to their counterparts in the United States.

with the same code carrying different names. Either because of negligence or possible fraudulent manipulation, the functioning of the National Register has been severely questioned. Several criminal investigations began in 1994 and 1995 in the Federal District and the Province of Buenos Aires due to irregular handling of personal documents.

Manipulation of electoral results. This is a problem in the poorest provinces of the North and North-West of Argentina. There have been cases where ballots disappeared, as happened in Misiones and Entre Rios. In other instances, the preliminary results at the local level were inexplicably reversed once the ballots arrived at the provincial capital's collection center, as in Santiago del Estero in 1991, and in Santa Fe in 1995.

Irregularities in computing returns: Opposition parties in the 1990s criticized the computerized management of electoral results by the Ministry of Interior. There is no way to control whether government bureaucrats faithfully transmit incoming data. The scandal of the Santa Fe elections in 1991, where the ministry was quick to show electoral results that were eventually found fraudulent, points to the fact that the whole computing process is susceptible to cyber-crimes.

Campaign Financing

In Argentina today, there is a widespread sense of cynicism with regard to political parties, and more specifically, their campaign finances. This malaise stems from two related factors. First, the public's perception is that powerful private interests are able to shape government decisions through the use of generous contributions to political parties, which escape any public detection. Luis Majul documented the cozy relationship between the ten largest industrial families and President Menem in two best-sellers (Majul 1993, 1994). The entrepreneurs interviewed convey the idea that never before was the link between big domestic capital and the Executive authority so strong as under Menem, and that companies over time became strong supporters of the administration. In point of fact, in 1995, when the Argentine peso came under heavy pressure from international speculators in the wake of the Mexican financial crisis and hard currency reserves began to run low, these entrepreneurs voluntarily subscribed a total of one billion U.S. dollars worth of government bonds. A second factor arises from the broad consensus that the public funds established precisely to make parties less vulnerable to private group pressure, are administered in a less than transparent fashion that looks suspicious to most experts (Ferreira Rubio 1997:77).

Political scandals have routinely surfaced, making campaign finance synonymous with flagrant corruption. Two well-known cases illustrate the point. In one instance, an important entrepreneur candidly admitted having contributed three million dollars to Menem's 1989 presidential campaign, whereas the official expenditures presented by the PJ amounted to only \$1.8 million (Ferreira Rubio, 1997:19). Equally embarrassing was the deposition of Menem's campaign manager, who admitted to having received contributions from the Libyan government in open violation of the law (Ruiz Nuñez 1993). In another incident, on 10 November 1991, the daily *Página 12* published an article stating the Argentine Communist Party had received \$400,000 from the Soviet Union in 1987.

Moreover, pundits underscore that any reform aimed at bringing transparency into campaign financing has to address the problem posed by the so-called *fundaciones políticas* (political foundations). Such foundations are a relatively new phenomenon in Argentina. They began to appear as the country returned to democracy at the end of 1983. In the beginning, some legislators created them to pursue tasks related to policy, academic, technical, and educational issues, but today almost any politician who wants to have some visibility has a foundation under his/her control. According to Sabsay (1998:21), these foundations perform a double role. On the one hand, they receive funds that political parties cannot obtain, such as contributions from foreign companies and governments. On the other hand, they are campaign war chests designed to support the personal electoral ambitions of the individual legislator, as distinct from party funds. Due to the fact that the laws on political parties and campaign financing do not govern political foundations, they are not subject to their regulations (Ferreira Rubio 1997). This means that no one knows the budgets of these foundations nor the origin of their finances, since hardly any of them publish their budgets. In short, they constitute black boxes that can hide away all kinds of financial transactions without any true supervision.

Box 1

Overview of Campaign Finance Rules

Private funding displays the following features (Ferreira Rubio 1997):

- a. Contributions by party members constitute a modest source of income for the Peronists and Radicals
- b. Federal law does not establish limits in terms of amounts.
- c. Anonymous donations are prohibited unless they come from collective fundraising, which in practice creates an important loophole to bypass the prohibition and is widely used by companies and individuals alike.
- d. Party contributions are not tax deductible nor tax exempt.

In addition, the law regulating political parties prohibits contributions from:

- e. Governments or foreign entities.
- f. Independent agencies of the federal and provincial governments.
- g. Companies that have concession contracts in public works and public utilities.
- h. Entities or corporations operating in the gambling industry.
- i. Labor unions, and business and professional associations.
- j. People who have been forced to make contributions by their superiors or employers.

The following are some of the sanctions for violating the provisions described above:

- k. Those political parties that receive illegal contributions must pay a fine of twice the amount unlawfully obtained.
- l. The company or institution that makes an illegal contribution will pay a fine ten times greater than the amount disbursed in order to discourage this type of behavior.
- m. Those individuals who contributed to illegal operations may be barred from governmental posts and the exercise of political rights.

Public funding has the following characteristics (Ferreira Rubio 1997: 36):

- a. Parties receive public contributions through direct cash transfers and indirect subsidies (the use, free of charge or at a discount rate, of some public services such as the post office).
- b. Congress dispenses funds to parliamentary blocs and caucuses.
- c. The Law of Political Parties establishes the amount disbursed to party organizations based upon each vote obtained in the “last election.” The sum disbursed is specified each year in the national budget law, e.g., \$3 per vote in 1999. About 20 percent of the total amount is transferred to the party headquarters and the remaining 80 percent to individual districts.
- d. Although the law contemplates that contributions be disbursed during election years, in the 1990s it became common practice to pay them on a yearly basis regardless. The Law on Political Parties allocates the *Fondo Partidario Permanente* (FPP, Permanent Party Fund), a public fund that allows parties to organize meetings, rent facilities, pay for publications, etc. (art. 46). Of the total amount disbursed, the Ministry of Interior receives 20 percent of the FPP. The Ministry also deducts an additional 20 percent of the total granted to parties represented in Congress, with at least 2 percent of total valid votes in at least one of the two latest elections. This further deduction is purportedly applied to cover administrative costs. The remaining amount is divided according to the so-called *Unidad Electoral* (UE) formula, reflecting votes cast and members elected to Congress.
- e. Additional subsidies exist for advertising on radio and television prior to elections. Although penalties for violators are stiff, they have never been applied because most parties are involved in this behavior, and because the courts, accordingly, find it politically unwise to challenge the whole party establishment. (Ferreira Rubio 1997 and Subsay 1998)

Chapter III

The Roots of Political Corruption in Argentina

In this part, we look briefly at the historical development of politics and institutions in Argentina, in order to understand the dynamic that gave rise to the problems reviewed in the previous chapter. There are several related institutional and behavioral factors that help explain the nature of corruption in Argentina: Most Latin American republics, including Argentina, patterned their constitutional government after the U.S. example.⁵ Yet the United States already benefited from a decentralized administrative system prior to independence, whereas Latin America inherited a system of centralized authoritarianism and clientelism from Spain. From the time of their independence, therefore, the Latin American republics were characterized by traditions of vertical dependence and exploitation (North 1990). As a result, the U.S. principle of checks and balances among the Executive, Legislature and Judiciary did not materialize in Argentina or in Latin America, as the presidency became the all-powerful institution in most of the region. Likewise, the Argentine oversight institutions (judiciary, fiscal tribunals and special administrative units), created after independence to prevent abuses of power, were usually ineffective since they were subject to the very Executive authority they were supposed to control. A strong background of authoritarianism thriving upon the inadequacy of oversight and control mechanisms can explain why government officials are so often at the core of the corruption problem. These historical-institutional factors have produced a culture in which politicians see themselves as trustees of the popular will, but are not accountable for their actions to the citizenry.

There are also some institutional specifics that help explain why corruption has been especially entrenched in Argentine society.

- Historically, only a small percentage of corruption cases have been investigated and a much smaller number of people have been convicted. This has reinforced the perception that stealing from the public coffers or taking advantage of government jobs for personal benefit does not carry tangible sanctions.
- Many public officials enjoy shorter tenures than the president who appoints them. This generates the so-called “get-while-you-can” attitude in some officials who try to take advantage of their public offices as much as possible given the uncertainty of their tenure.
- There are no statutes for “whistle-blower” protection. Those who denounce corruption in a situation where corruption affects a whole administrative structure from top to bottom, risk not only being isolated, but losing their jobs. An example of this was a staff member of María Judge Servini de Cubria, who denounced the judge for leaking confidential information obtained by Spanish prosecutors of President Menem. The information concerned alleged illicit activities of members of Menem’s family. The staff

⁵ The comparison with the United States is called for by the fact that Argentina, and to a lesser degree other Latin American countries, looked to the U.S. Constitution as an ideal type to a greater extent than European constitutions. However, on administrative and criminal law, Latin Americans borrowed more heavily from European models, particularly French, German and Spanish.

person was fired shortly thereafter, while the judge suffered no sanction (Verbitsky 1991).

Corruption has been such a part of daily life that Argentines, and most Latin Americans for that matter, expect public officials to be corrupt. Thus, citizens perceive themselves as powerless vis-à-vis a system of government that prevents accountability, fosters special privileges, and discourages honest citizens from denouncing illicit behavior. Unless we appreciate these institutional and attitudinal factors, we cannot understand why campaign financing has been an issue confined to small sectors of society, and has escaped the attention of a general public worried about issues more immediate to their daily lives. The very fact that few Argentine polls exist asking people about campaign finance reform is indicative of the low saliency of the matter. We now proceed with a brief sketch of Argentine institutional development.

Argentine Institutional Development (1816-1983)

As we have noted, the roots of corruption partly stem from the precariousness of oversight mechanisms in Argentina. This can be understood by examining both the institutional weaknesses of the agencies entrusted with such a task, as well as the array of incentives and penalties used by the Executive to deter effective control since the 19th century. The Executive was far too dominant to allow any true scrutiny into its actions. The type of Congressional oversight developed in the United States failed to materialize in Argentina. Civil service recruitment was too often tied to political allegiance, rather than merit. The Courts, after enjoying some prestige at the beginning of the 20th century, progressively retreated into a subsidiary role as the fear of retaliation from civilian and military leaders alike made job security anything but safe. Public disgust with government, legislative, and judicial corruption could not find any institutional outlet, thus producing a widespread sense of cynicism among Argentines with regard to accountability issues. Not surprisingly, some strata of society came to support military coups hoping that at least the armed forces could clean up what was perceived as being rampant corruption plaguing civilian administrations, regardless of the party to which they belonged (De Imaz 1970). To understand how this could happen, we will now turn to a brief description of the evolution of Argentine institutions.

After gaining independence from Spain in 1816, Argentina experienced frequent civil wars, usually pitting the province of Buenos Aires against its rivals in the interior of the country. The 1853 Constitution, after minor amendments passed in 1862, providing the legal basis for the country's future. The Argentine Constitution took that of the United States as its model. In fact, it clearly spelled out a formal division of powers across the three branches of government and many provisions were taken almost verbatim from the U.S. Constitution. However, the Argentine founding fathers including their most influential member, Juan Bautista Alberdi (Alberdi 1964), were extremely concerned with some of the possible consequences of applying the U.S. model in its entirety (Shamway 1991; Nino 1992). By the same token, the Argentine founding fathers regarded the economic development of their scarcely populated country as the top priority. Accordingly, they reasoned that a strong presidency could best guarantee law and order, which was deemed an indispensable prerequisite for economic progress. Thus, Alberdi and his colleagues included in the Argentine Constitution features typical of an

executive-dominated political system, which they borrowed from the Chilean Constitution of the time. As a result, the presidency dominated the political and legislative agenda from the start, putting both Congress and the judiciary on the defensive.

The situation that ensued was thus one where the president had a substantially free hand in running the country. With Congress in session only a few months of the year, the president could rule through decrees during the recess period. Moreover, the president could discipline local governors and their legislatures by exercising the right of federal intervention, which was vaguely defined in the Constitution and left substantial room for interpretation. In short, from 1853 until 1984 the Argentine Congress was possessed of very limited powers to restrain executive authority. A series of authoritarian governments that ruled the country intermittently from 1930 to 1983 made legislation and enforcement by decree the norm. Unfortunately, this pattern further weakened whatever checks and balances existed before in checking executive authority.

Given this scenario, it is not surprising that abuses of power and corruption would thrive (Rock 1987). Starting in the 1880s, the oligarchic governments that ruled Argentina until 1916 made an effort to create a highly centralized professional civil service patterned after the French model. Nonetheless, the Executive retained ample freedom to interfere in recruiting to ensure the political allegiance of the public administration. After the *Unión Cívica Radical* (UCR) took control of both the presidency and the legislature (1916-1930), it used government jobs and contracts as a way to reward supporters, as its conservative predecessors had done. To discipline recalcitrant governors of conservative leanings, President Hipólito Yrigoyen (1916-22; 1928-30) often used the right of the federal government to intervene in local affairs in ways that outraged the opposition in Congress. In fact, the conservative bloc in Congress justified the 1930 military coup arguing that it would put an end to the rampant corruption and Executive abuses that had characterized most of the Radical era. Once back in power, the conservatives did much the same, but in addition, they overtly practiced electoral fraud as a way to keep the hated Radicals out of power. During his first two terms in office Juan Perón (1946-55) escalated even further the politicization of the civil service. Scores of bureaucrats, as well as university professors who had enjoyed a fairly independent status up until then, were purged or forced to resign. Again, a military coup in 1955 claimed to put an end to arbitrary political power and corruption. However, military-sponsored authoritarian governments in many ways were even more inclined to abuses since they appointed to the highest ranks of the public administration “technocrats” responsive only to them. The military also closed Congress, and used censorship to mute any opposition outside institutional settings.

Box 2

A Weak Budgetary Process

Budget and accounting procedures did not fare any better than other mechanisms in holding government accountable. Argentina developed a series of laws, starting with the Accounting Act of 1870 (Law 428), to establish procedures regulating the budget process. However, it was not until 1956 that an external oversight agency was created in the *Tribunal de Cuentas de la Nación* (TCN, National Accounting Tribunal). The government that created it resulted from a military coup. The TCN was entrusted with the authority to review the legality of the executive's legislative and administrative initiatives using an ex-ante approach that was, at the time, typical of similar institutions in Europe. The TCN, therefore, exercised preventive controls over the executive's decrees and pursued account judgments and accountability proceedings that were reported to Congress. In 1963, under President Arturo Illia, the *Oficina Nacional de Presupuesto* (Office of the National Budget) was created in order to rationalize the budget process, but it could not exercise any real control over governmental decisions. In point of fact, the budget process was so distorted and out of control that no budget was signed into law by the legislature from 1954 through 1990.

Institutional Oversight During the 1983-99 Period

The period between 1983 and 1999 is marked by two distinct patterns in terms of oversight of executive powers. The *Union Cívica Radical* administration of President Raúl Alfonsín (1983-89) faced a situation of divided government that allowed both Congress and the courts to exercise a considerable role in restraining what were believed to be questionable initiatives by the executive. Conversely, President Carlos Menem could count for most of his two terms in office (1989-95 and 1995-99) on both a working majority in Congress and a docile Supreme Court, which in turn allowed him to undercut most checks and balances.

Alfonsín initially tried to refrain from circumventing both Congress and the Supreme Court, but facing mounting economic and political problems in the second half of his term, he resorted more and more to tactics that could bypass checks and balances. Menem, on the contrary, proceeded without delay to weaken oversight institutions that stood in the way of accomplishing his goals.

The Alfonsín Administration:

The inauguration of President Raul Alfonsín in December 1983 put an end to the most violent military dictatorship in modern Argentine history, which had held power between 1976 and 1983. It also ushered in an era of unprecedented political freedom in the country. The widespread human rights violations and catastrophic economic policies inherited from the military regime created a new political climate. This persuaded the two major parties, the UCR and the Partido Justicialista (PJ), to abandon the confrontational relationship that had characterized their past since the mid-1940s in favor of a more constructive approach to problem solving. As a matter of fact, the thrust of Alfonsín's effort for most of his administration was to create public confidence in the three branches of government by adhering to the basic principles of democracy and having the judiciary prosecute human right violations.

However, despite his good intentions, Alfonsín proved to be as much a victim of uncontrollable circumstances as of his own mistakes. His relationship with Congress is illuminating in this regard. In 1984, the Radicals had a comfortable majority in the Chamber of Deputies but not in the Senate, where a group of small parties from the interior of the country held the balance. The Radicals' unwillingness to compromise with the demands of such parties led to several debacles. As opposition to the Radical administration's economic policies intensified, Alfonsín began to resort to emergency decrees (*decretos de necesidad y urgencia* or DNU). These are decrees rarely used in Argentine history between 1853 and 1983 (about 20 in total) and only under circumstances of political and economic emergencies that could potentially endanger the very existence of the nation (see Ferreira Rubio and Goretti 1997). Alfonsín issued 10 of them during his presidency, the most important of which created a new currency, the Austral, in mid-1986 (and was eventually ratified into law by the Congress a year later). After the Peronist victory in the Congressional and gubernatorial elections of September 1987, Alfonsín became a lame duck president. To make things worse, the Supreme Court showed a greater tendency to strike down governmental decisions in the last two years of his mandate (Helmke 1999).

The Menem Administration:

Menem acted quickly to either eliminate or make ineffectual any type of oversight concerning his administration's policies from the start of his first term in June 1989. He succeeded in doing so primarily for three reasons. First, either Menem could count on a working majority in Congress supported by small parties (1989-91), or his Peronist party had an absolute majority (1991-97). Second, by "packing" the Supreme Court with sympathetic justices, he assured the support of this key institution against challenges to his policies from lower courts and the opposition in Congress. Third, he purged the oversight institutions within the public administration of those officials who raised questions about the legality of the Executive's reforms. Below is a more detailed look at this three-pronged attack against oversight institutions.

Congress: One factor helping the president to push through Congress the Executive's agenda is that Argentina's largest parties have traditionally been quite disciplined in following their leadership's voting preferences. This means that if a president holds a congressional majority, he/she could count, more than a U.S. president, on his/her party's support when votes were cast – for several reasons. (Jones 2000). First, the party controls the candidate selection process for congressional districts. Second, voting defection brings a high possibility of being expelled from the party. Third, legislators depend on the congressional leadership for career advancement and financial support.

What helped Menem further in curtailing congressional resistance was the hyperinflation that he inherited from Alfonsín. To prevent the country from collapsing into total chaos, a lame duck Alfonsín offered to allow his successor to be sworn in six months ahead of schedule.⁶ Menem accepted but forced the Radicals to make major concessions. Public opinion polls showed strong support for decisive government action to fight inflation and promote structural reforms (Mora y Araujo 1991, Palermo and

⁶ Menem won in May 1989 but was not expected to take office until December.

Novaro 1996). Menem skillfully exploited this popular malaise. Any time the Radicals tried to mount some opposition, the president used an effective media campaign charging them with stalling his effort to remedy the chaos that Alfonsín had left behind.

Menem employed powerful tools to bypass Congress. Whenever the emergency powers described above were not sufficient to expedite his reform agenda, the president employed DNUs at a staggering pace. Menem indiscriminately used DNUs “as a policy-making device, whereby the executive presents legislative *faits accomplis* that circumvent the principles of checks and balances, [and replace] the rule of law with presidential fiat.” (Ferreira Rubio and Goretti 1997:34) The DNUs greatly expanded presidential legislative authority in areas that the Constitution had reserved to Congress. Between 1989 and 1994, Menem issued a total of 336 DNUs. By law, DNUs were limited to situations where Congress was not in session or the regular legislative process could not be used due to an impending national crisis that demanded a quick response. Also, DNUs had to be submitted for legislative approval at a later date; otherwise they would expire. Menem regarded all these requirements as mere formalities (Vidal 1995:122-128). From the inception of his first term, Menem’s message was clear, “if Congress did not pass [his] bills, the executive would implement them by [DNUs] and that if Congress introduced modifications into the texts, the executive would veto them” (Ferreira Rubio and Goretti 1997). Menem also employed the veto, issuing 124 full vetoes and 38 partial vetoes during his tenure.

Menem’s other means to overcome legislative opposition consisted of presidential vetoes. Between 1989 and 1993, of the 625 bills passed by Congress the president vetoed 37 completely and 41 partially. To address this situation, the amended Constitution in 1994 explicitly contemplated more restricted use of DNUs and partial vetoes.

Executive officials also made public that if congressional opposition to Menem’s plans materialized, even more dramatic initiatives were likely. During a 1990 telephone workers’ strike, Menem publicly stated that he wished he had the powers that Chilean dictator General Augusto Pinochet had for seventeen years (Verbitsky 1993:164). The threat never materialized, but this convinced whatever stiff opposition existed in Congress to go along.

The Supreme Court: Aware of Alfonsín’s problems in having the Supreme Court cooperate with controversial presidential initiatives, Menem proceeded from the start to make sure that the highest court in the nation would be squarely in his camp. In doing so, Menem took up Alfonsín’s original idea of enlarging the Supreme Court membership with the rationale that more justices were necessary to deal with the logjam of pending cases. The attack on the Court’s independence started a few weeks after Menem took office. The strategy behind it was later exposed by Minister of Justice Jorge Maiorano, who asserted that it was “absolutely necessary that there be a Court that understands the [administration’s] policy and be addicted to the program that the [Argentine] society had voted” (*Ambito Financiero*, 11 November 1992). The packing of the Supreme Court played a pivotal role, on the one hand, by giving the Executive legal cover for its dubious reforms, and on the other, by thwarting any challenges coming from the Congress, lower courts, and civil society.

Oversight Institutions: In analyzing administrative oversight institutions, we must distinguish two broad categories. The first one consists of agencies and departments created under special clauses that allow them some degree of independence, at least in theory, from Executive interference. The second one is represented by departments directly under Executive control and therefore unable to shelter themselves from presidential manipulations. Within three years of his election, regardless of the power of these institutions, Menem systematically proceeded to either eliminate them or neutralize them by putting at their helm loyal supporters—regardless of their credentials.

In the former category, the *Tribunal de Cuentas* (Accounting Court), as noted earlier, was established as a means to address widespread administrative corruption during Perón's first two terms (1946-55). Modeled after its French and Spanish equivalents, the Tribunal had substantial powers to conduct ex-ante investigations (that is, before the implementation of a given policy/decision) over government spending. The tribunal could also veto spending allocations and had the capacity to initiate criminal prosecutions of acts perpetrated against the federal treasury. A board of four federal judges with life tenure specializing in fiscal and accounting matters managed the institution. In turn, the board members were nominated by the Executive and appointed after being approved by the Senate. Yet, despite having wide powers, the performance of the Tribunal was very poor during the course of its history. It would denounce excesses, but rarely prosecute prominent offenders.

The relations between the Tribunal and Menem became rocky shortly after the president took office, not so much because the Tribunal was actively going after suspects, but rather because the financial improprieties committed by administration officials were so overt. Shortly after a series of embarrassing decisions by the Tribunal (illustrations are given in Box 3), Vice-President Duhalde signed a decree in which he dismissed the board of the Tribunal—in violation of Law 20.677, which required the Senate to start impeachment proceedings for the removal of any of its members. The five members were replaced with people close to the president and his brother Eduardo Menem. Not surprisingly, after 1990 the Tribunal ceased to create problems for the administration, and in December 1992, it was dissolved.

The *Fiscalía Nacional de Investigaciones* (National Investigative Prosecution) was in charge of investigating public officials suspected of having perpetrated crimes involving abuses of federal property. The federal judge in charge of the *Fiscalía* had substantial powers to investigate and could remit his findings to a federal prosecutor for criminal or civil proceedings. At the time Menem took office, Ricardo Molinas was at the helm of the institution. Molinas had a solid reputation as a human rights lawyer and belonged to a small centrist party. Considered by some as being a maverick, he was appointed to his post with the rank of federal judge by President Alfonsín. Molinas soon acquired a reputation for being very active in pursuing offenders: he investigated three times as many cases as his predecessor had done. Molinas began to look into several cases, ranging from subsidies granted to companies in violation of the Economic Emergency Law to irregularities in the privatization of the federal highways and the telecoms SOE, ENTel. In early 1991, Menem removed Molinas by decree despite the fact that, as a judge, the latter had to first go through an impeachment process in the Senate. The Supreme Court upheld Molinas' removal in a split decision.

Box 3

Inconvenient Decisions of the Tribunal de Cuentas

The Tribunal exercised its independence, issuing several embarrassing findings early in the Menem administration. Unfortunately, these holdings hastened its demise.

For example, in March 1990, Decree 477 required the Ministry of Health and Social Action to purchase 1.3 million aprons for school children at \$5.90 per unit when the average market price was \$4.30. Radical Congressman Antonio Berhongaray believed the tender to be suspicious and alerted the Tribunal. Not only was the base price inflated but, as later discovered by the press, no company in the country was capable of producing that large an amount of aprons in the specified time. Also, although the Economic Emergency Law had set strict limits on public contracts, Interior Minister Eduardo Bauzá, Menem's most trusted adviser, created a loophole to allow the public tender to take place because of its "emergency" nature.

Eventually, the company Herrera Hermanos S.A., which had never made an apron and had no real capital, won the contract. Its only qualification seemed to have been the political connection of its owner, a Buenos Aires Peronist politician by the name of Juan Ricardo Mussa, who had been spotted in the group of dignitaries at Menem's inauguration ceremony. Mussa's other notable distinction was a pending trial for fraud. As the scandal evolved, high-ranking administration officials threatened to reopen cases of alleged corruption under President Alfonsín (Verbitsky 1993:91). In the meantime, and against the terms of the contract, the Ministry of Health and Social Action paid \$3 million in advance. Upon discovering these irregularities, the Tribunal started a criminal investigation for fraud. Shortly thereafter, as the media began to publicize the scandal, Menem signed a decree in which he rescinded the contract with Herera Hermanos S.A. for lack of compliance.

There were other instances in which the Tribunal discovered flagrant financial irregularities in 1990, which it denounced and due to the media uproar prevented from materializing. One case involved the privatization of the reading of meters, billing, and collection of fees for three large SOEs in public utilities: Gas del Estado, Segba, and Obras Sanitarias. The administration issued a DNU in this regard that contemplated a bidding process for the contract award. However, the Ministry of Economy later issued another decree that replaced the bidding process with a direct negotiation benefiting a consortium that had direct connections with some of Menem's old friends in his native province of La Rioja. The Tribunal found the 15 percent fee that the consortium charged the government for the billing procedures of the three SOEs excessive and nullified the contract. Other cases involved excessive reimbursements to contractors.

Let us now turn to those institutions that depended directly on the Executive branch. The most important one in 1989 was the *Sindicatura General de Empresas Públicas* (General Accounting Agency for State Corporations or SIGEP). SIGEP was in charge of auditing the financial and legal procedures of SOEs. It had been created by the 1976-83 military regime and had, in theory, substantial powers. It could use a variety of means ranging from simple observations to formal warnings, up to the suspension of any financial and administrative decision by an SOE. Suspensions had to be ratified by the president. Menem appointed as head of SIGEP Mario Truffat, who had managed his presidential campaign. In the two years that Truffat was in charge of SIGEP, he drafted 600 objections to Executive initiatives (more than his predecessors put together). Truffat's activism was due to the many improprieties in the way administration officials were managing the privatization process as well as other issues affecting SOEs.

Truffat's collision course with several of Menem's ministers and close advisers started in the Fall of 1989, when he suspended the sale of the shopping mall Galeria Pacifico as a result of irregularities in the contract. The incident that made Truffat's position untenable came when the Argentine engineering company Impsa demanded that the government pay for \$70 million worth of public contracts. Menem and his cabinet actually decided to award Impsa \$200 million and told SIGEP to justify the \$130 million in excess. Reluctantly, Truffat complied, but Menem and the Ministry of Economy had come to the conclusion that SIGEP constituted an "obstacle" to the privatization process. Using another decree, in August 1991 the president downgraded SIGEP from *Secretería de Estado* (State Secretariat) to *Dirección Nacional* (National Bureau). This meant in practice that SIGEP's ability to suspend dubious contracts was terminated and its functions were relegated to non-binding admonitions. Before these events took place, Truffat had already resigned. His successor and former assistant Alberto Abad, made a point of not only going along, but also getting along with the president and was later rewarded with a ministerial post after SIGEP was disbanded at the end of 1992.⁷

The *Inspector General de Justicia* (Inspector General of the Public Administration) was yet another institution entrusted with the authority of making sure that new rules and requirements affecting the public administration conform to existing legislation. Upon becoming president, Menem appointed to this office a long time friend and supporter, Alberto González Arzac. However, the new Inspector General took his role seriously. In June 1990, González Arzac warned the administration that Aerolíneas Argentinas could not be privatized as planned. In fact, the government intended to become a minority shareholder with veto rights and change the corporate structure of Aerolíneas. Yet, Arzac contended that this scheme was legally unfeasible since the existing commercial codes did not allow such a company arrangement. In September of the same year, the Inspector General warned the Ministry of Justice that ENTel had not fulfilled some of its obligations prior to its transfer to private operators. Days later, Arzac warned María Julia Alsogaray, whom the president had chosen to manage the ENTel divestiture, that she could not be on the board of one of the firms that was going to manage the proceeds of the telephone privatization. Although none of Arzac's legal opinions were binding, they embarrassed the administration enough to prompt his dismissal.

⁷ Interview with Alberto Abad. Buenos Aires, April 1993. Recently, Abad has tried to defend attacks about his management while at Sigep. See *Clarín*, 17 April 2000.

Chapter IV

Attempts at Reform from Within

The preceding chapter put campaign finance corruption into the larger contexts of political development and the quality of public institutions. Argentina's legacy includes economic interventionism, a strong executive, and feeble mechanisms of counterbalance and oversight. This has meant that winning political office also entails capturing large sources of rents that could be directed to favored interests through corruption. Thus, these potential gains, coupled with the weaknesses of oversight institutions and the absence of a political culture emphasizing the accountability of public officials, have created strong incentives for corrupt behavior. The chances of getting caught are small, and the probability of suffering penal and administrative consequences is even smaller. Indeed, none of the people who came under suspicion were ever sentenced during the 1990s.

We saw that under the Menem administration there was a deliberate effort to destroy the independence of any institution that could hold the Executive accountable. It is not a coincidence that there has been a general perception in Argentine society that during Menem's tenure corruption escalated to record levels, although this is impossible to prove with any degree of certainty. As can be seen in Table 1, according to public opinion polls, corruption has been regarded as one of the most important problems affecting the country since December 1995 – consistently ranking second.

Considering the widespread concern about corruption, as well as the serious allegations of official abuses, it seems surprising that the issue of campaign reform has impressed most Argentines as a matter of relatively low priority. Indeed, while Argentine pollsters have consistently asked interviewees about corruption (understood in broad terms), they have rarely formulated specific questions about campaign finance. Thus, while most Argentines do not seem to be concerned by the campaign reform, polls show that corruption has been a major issue for almost a decade. Why does this concern not translate into popular pressure to address the matter? We can find answers by looking at western democracies that were able to control corruption starting at the turn of the 19th century and continued to do so in the 20th century. In successful attempts, analysts have observed the following pattern:

- The eruption of a major scandal prompting a public outcry for reform sustained by a free and independent press;
- A background where democratic institutions have been in place for some time and where the respect for the rule of law is well established;
- The emergence of maverick politicians who champion the anti-corruption cause and take advantage of that demand.

Table 1. Public Perception of Argentina's Most Important Problems, 1983-99.

Aug-83	inflation	unemployment	
Nov-84	inflation	unemployment	
Apr-85	inflation	unemployment	
Dec-85	unemployment	inflation	security
Aug-86	inflation	unemployment	security
Dec-87	inflation	unemployment	
Dec-88	inflation	unemployment	
Jul-89	inflation		
Dec-89	inflation	unemployment	security
Feb-90	inflation	unemployment	
Dec-90	unemployment	inflation	corruption
Apr-91	corruption	unemployment	inflation
Aug-91	corruption	unemployment	inflation
Mar-92	corruption	unemployment	security
Jun-92	unemployment	corruption	education
Aug-92	unemployment	education	corruption
Jan-93	unemployment	corruption	education
May-93	corruption	unemployment	education
Aug-93	unemployment	education	corruption
Apr-94	unemployment	education	unemployment
Aug-94	unemployment	education	corruption
Sep-94	unemployment	corruption	poverty
Nov-94	unemployment	education	corruption
Apr-95	unemployment	corruption	poverty
Jul-95	unemployment	education	poverty
Aug-95	unemployment	education	corruption
Dec-95	unemployment	corruption	poverty
Aug-96	unemployment	corruption	poverty
Oct-96	unemployment	corruption	education
Feb-97	unemployment	corruption	education
Jul-97	unemployment	corruption	education
Sep-97	unemployment	corruption	security
Dec-97	unemployment	corruption	security
Feb-98	unemployment	corruption	security
Jun-98	unemployment	corruption	poverty
Dec-98	unemployment	corruption	poverty
Feb-99	unemployment	corruption	security
May-99	unemployment	corruption	security
Aug-99	unemployment	corruption	security
Sep-99	unemployment	corruption	security

Source: Gallup Argentina.

Of the three conditions mentioned above, Argentina, as well as the rest of Latin America, have at best experienced only the first one, and even then only in recent times. The second condition, democracy, has eluded Argentina and most of Latin America until the early 1980s. The third condition has also failed to materialize, leaving a frustrated citizenry with no leadership or institutional channels to force the political system to reform itself. This point is crucial to understand the lack of action. Even in the face of blatant cases of corruption, opposition parties have been very reluctant to move against incumbent presidents. This is in part due, as we have seen earlier in the case of Argentina, to the intimidation strategy employed by the Executive that exploited the weaknesses of checks and balances of the democratic institutions. By the same token, it is clear that opposition parties are also vulnerable to the same type of illicit behavior charges. Recently, this situation became quite evident in Argentina.

In October 1999, Fernando de la Rúa won the presidential elections as the leader of the *Alianza* ticket (an alliance between the Radicals and the center-left Frente Pais Solidario-Frepaso). De la Rúa ran a campaign that made the fight against corruption one of his most important priorities and, once elected, he took some important steps. However, in August 2000, an unprecedented scandal affected the Senate. According to newspaper reports, Labor Minister Alberto Flamarique and the head of the security services Fernando de Santibañes, had allegedly bribed some Peronist and Radical senators in order to pass a controversial labor bill. (*Financial Times*, 26 September 2000, 10-11). Vice President Carlos Alvarez, from the Frepaso party, tried to give voice to the popular malaise by calling for resignations of suspected senators and asking for profound changes in the way the upper house did its business. Yet, under pressure from his own party, President de la Rúa failed to act, thus forcing Alvarez's resignation. An opportunity was missed. Instead of rising to the occasion and grabbing the opportunity to start cleaning the system from within, the president sided with his own party machine.

Once again, the general public felt betrayed and powerless since those officials who were willing to promote change had been sacked. Shortly thereafter, public opinion polls showed that 92 percent of the people surveyed had little or no confidence in federal legislators. Another 52 percent had no confidence in political parties, and 62 percent believed that President De la Rúa had not fulfilled his promise to combat corruption (*La Nación*, 17 September 2000, p. 1) The public's lack of confidence in politicians and representative institutions helps explain why public outrage does not turn into concrete reform efforts addressing campaign finance abuses and other forms of corruption.

We now turn to elections and campaign finance, to see how they fit into the larger picture just described. First, we look at the reforms undertaken during the 1990s to strengthen oversight generally. Next, we review those efforts that targeted electoral fraud and campaign finance. While these reforms brought some improvement, they did not effectively address the incentives that motivate political actors to cheat the system regulating campaign financing. In other words, the lack of effective control mechanisms affects campaign financing as well. To make matters worse, this is not just the responsibility of the Menem administration, since the UCR, while in the opposition, seemed to be content to preserve this state of affairs.

This situation virtually cried out for a response by independent civic organizations. In the face of widespread apathy, Poder Ciudadano stepped up to meet

this need with its initiatives on campaign finance transparency. The PC story appears in the next chapter.

Strengthening General Oversight Agencies

In 1992, President Menem pushed through Congress a new, comprehensive law, which reformed both legislative and administrative accountability procedures. This was done partly in response to multilateral lending agencies, like the World Bank, that had grown increasingly worried about numerous allegations of corrupt practices involving government officials managing the administration's market reform agenda in the early 1990s.

AGN and SIGEN:

On October 30, 1992, Congress approved Law 24.156 (Law of Financial Administration and National Public Sector Control). Yet, the law only came into effect at the end of 1993 when the administration had already carried out some crucial and highly controversial reforms without any true oversight institution that could block possible wrongdoing. The new law streamlined auditing procedures by creating two new separate agencies: the *Auditoria General de la Nación* (AGN, General Auditing Office of the Nation) under the control of Congress, and the *Sindicatura General de la Nación* (SIGEN, General Accounting Agency of the Nation), under the control of the Executive.

AGN reports to Congress and its role is to be the external auditing institution for the public sector. Congress sets the AGN budget. AGN has a board of seven members elected for an 8-year term. The Chamber of Deputies and the Senate appoint three each. The appointments mirror the composition of the congressional membership, with the largest party nominating the largest number of board members. This means that in 1993 the PJ, which controlled both houses of Congress, had four members out of seven on the board. The president of AGN is appointed jointly by the President of the Republic and the Speakers of the Chamber of Deputies and the Senate. As a result of the *Pacto de Olivos*, in which Menem and Alfonsín agreed to introduce amendments to the 1853 Constitution, the AGN presidency goes to the largest minority party in Congress. Thus, between 1994 and 1999 Enrique Paixao, a Radical, was in charge of the institution and staffed the agency with people coming primarily from his party. The AGN board executes the action plan previously approved by the two joint congressional committees, but has discretion in its internal hiring, consulting contracts, and internal procedures.

On paper, AGN is a powerful institution. It has jurisdiction over budgetary, economic, financial, legal and inventory management of the public administration, as well as the Federal District of Buenos Aires. Moreover, it audits the fulfillment of privatization contracts, as well as private companies and foundations that receive public funds. AGN can solicit information from all public administration offices and pursues investigations whenever it sees fit and then transmits the results to the joint congressional committees mentioned above. AGN establishes the criteria for control and auditing, submits a report to the joint congressional committees, and may receive from Congress auditing powers for entities that are not state-owned and are governed by private law.

There are several factors that potentially undercut AGN's broad powers. First, AGN's board makes decisions by a simple majority. This means that if the president's party holds a majority within the board, as happened between 1994 and 1999, it can effectively stop any initiative that can potentially damage the Executive. According to our interviews with senior AGN managers belonging to the UCR, in 1998, Paixao wanted to continue into 1999 an investigation of corruption in the National Pensioners Health Care Agency. When the AGN president submitted his request to the board, due to the potential embarrassment to the Menem administration that a thorough investigation could create, the PJ board members vetoed it. A second limitation comes from the fact that the congressional committees overseeing AGN draw up the agency action plan, and can make changes to AGN's reports. If the presidential party holds a majority in those committees, these powers can be used effectively to thwart AGN's ability to fulfill its duties. Third, AGN's auditing mechanisms are patterned after Canadian and Puerto Rican models where oversight is done according to a post-facto approach, as opposed to the pre-reform ex-ante method used by the Tribunal de Cuentas (see above). This seriously limits AGN's ability to stop government abuses in the making. Fourth, in the last couple of years of his second term, President Menem, citing the imperative of cutting the fiscal deficit, unilaterally reduced the AGN budget, although that authority was within the realm of Congress. The Peronist-dominated committees overseeing AGN did not protest the presidential initiative in this regard. Since January 2000, the PJ has taken control of AGN's presidency and management.

SIGEN is the auditing institution operating within the public administration. Like AGN, on paper it has large powers. It oversees the presidency, all government departments and secretariats depending on the presidency, about 105 public entities, including 36 universities, and all remaining SOEs. Under Menem, however, it only went after small offenders. This is because the presidency selects the director and management of SIGEN, which in turn finds it hard to act independently. For instance, when the Menem-era director of SIGEN was asked what happened in those instances when SIGEN discovered flagrant cases of misuses of public funds and procedures, he replied, "I immediately call Carlitos!" He added, by way of clarification, "But of course, Carlitos Menem, he is a dear friend of mine!" Obviously, it is hard to believe that, given these close personal ties, SIGEN could effectively pursue its tasks when the executive branch, or people/public entities close to the president were at fault.

President de la Rúa, upon taking office in December 1999, appointed Rafael Bielsa to head SIGEN. During a personal interview, Bielsa related that upon taking over his office morale was low since SIGEN's managers kept for themselves the money allocated for merit-based salaries for all employees. Furthermore, there was a strong suspicion that some of SIGEN's top level managers engaged in collusive activities with the business and government agencies they were supposed to control. Indeed, Bielsa admitted that the whole staff had been appointed according to political criteria. Even well-intentioned staffers understood that any audit that could question the behavior of high government officials was going to be stopped.⁸ Currently, employment procedures are being redefined and high management positions will be put up for renewal based upon job qualifications and an examination system. In the first four months of 2000,

⁸ Interview with Rafael Bielsa. Buenos Aires, May 2000.

SIGEN has transmitted about 30 cases of possible corruption to the Anti-Corruption Office of the Ministry of Justice.

The Anti-Corruption Office:

In an attempt to create greater accountability and curb corruption in the public administration, President de la Rúa not only revamped SIGEN, but also created a special Anti-Corruption office within the Ministry of Justice. In the mid-1990s, Menem created the Office of Public Ethics modeled after its U.S. equivalent. However, the office was simply entrusted with receiving sworn financial statements from public officials and was practically left dormant until 1999. Under the de la Rúa administration this task has been taken over by the Anti-Corruption Office (ACO). However, new functions have been added. The ACO, on the one hand, investigates cases of corruption in the public administration and, if its officers conclude that the case has merit, its conclusions are transmitted to a federal prosecutor to start a formal inquiry. On the other hand, it develops and helps implement new legislative and administrative anti-corruption strategies. Between December 27, 1999 and March 23, 2000, the ACO handled 323 cases. Several high officials of the Menem era have already fallen under the investigative scrutiny of the Anti-Corruption office. The former director of the National Pensioners Health Care Agency, Carlos Alderete, was recently arrested. The list also includes María Julia Alsogaray, the former ENTel trustee, former Minister of Education Carlos Solá, and former Minister of the Economy, Defense, and Labor Erman González, and former Minister of Foreign Affairs Guido Di Tella. All are suspected of having enriched themselves while in public office. These measures are major breakthroughs in a country where no high-ranking officials had been put behind bars for decades. Table 2 shows the status of these cases.

Campaign Finance Reform Efforts

The public debate on campaign finance reform slowly began to emerge in the early 1990s, but it remained confined within a small circle of a few legislators, experts, and civic leaders. In fact, to date, no concrete steps have been taken at the federal level. This should not surprise us for several reasons, including experience elsewhere in the region.

In neighboring Chile, which is often regarded as a model of democracy for the whole Latin American region, the situation in the 1990s was even worse. Chile, for instance, lacked a law specifically regulating campaign financing. In the mid-1990s, President Eduardo Frei, worried about repeated allegations of easy money having too much influence with political parties and legislators, appointed a special commission to draft a proposal to be submitted to the Congress for approval. After two years of work, the presidential commission sent its draft proposal to the president. Congress then dragged its feet until the late 1990s, when a watered-down bill on the matter was narrowly defeated by the votes of both government backers and opposition party members. This testifies to the fact that when campaign money is at stake, ideology and party discipline may often be set aside and a common cause against reform can emerge from both sides of the aisle in Congress (as we shall see in a moment when analyzing the Argentine case).

**Table 2. AOC Corruption Cases
(27 December 1999-23 March 2000)**

Status of Case	Quantity	Percentage
Dismissed or archived	76	24
Under Preliminary Inquiry	13	4
Criminal Action Promoted with follow-up	1	0
Criminal Action Promoted without follow-up	3	1
Administrative Action with follow-up	0	0
Administrative Action without follow-up	1	0
Under Preliminary Investigation	136	42
Under Full Investigation	55	17
Criminal Charges	3	1
Cases Transferred	9	3
Cases Concluded	9	3
Improper Jurisdiction	17	5
Total	323	100

Legislative Initiatives at the Center:

In 1992, the Argentine Ministry of Interior initiated a political dialogue on this issue by inviting political parties, professional, business, and labor associations and, for the first time, non-governmental associations. This public forum resulted in a series of recommendations that called for: (a) making the current system transparent; (b) requiring parties to disclose the origin of all funds received, and; (c) limiting campaign expenditures and their duration (Ferreira Rubio 1997). None of these suggestions were incorporated in the government decree that emerged (2098/92).

In 1993, Minister of Interior Gustavo Béliz put together a new reform proposal that tried to tackle some of the major problem areas. According to the proposal, private contributions were allowed through a public bank account. Such contributions were tax deductible. Anonymous donations were eliminated, but the ban on financial support from professional associations was lifted. To promote greater transparency, the draft bill established that any citizen could get access to the information regarding private funding to political parties by requesting the information from the Electoral Tribunal. Individual donations had to be published once a year in two of the country's largest circulation

newspapers. The novelty of the reform project, in this regard, was that direct private contributions were to be managed by the individual candidates rather than the party, thus undermining the financial clout of the latter over the former. This measure also tried to make politicians personally more accountable for their actions.

In terms of public funds, they were divided into three main categories: general expenditures, electoral campaigns and technical support. The general fund was to be disbursed to national parties (as opposed to provincial ones) that were represented in Congress, based upon the number of votes obtained during the latest elections, plus an across the board contribution equal for all parties irrespective of size. District-based parties were to receive funds depending on the number of representatives that each province had in Congress. Technical assistance funds were to be provided both nationally and at the district level provided that parties ran true research centers. Campaign funds received a flat \$2 per vote. By the same token, the reform project espoused the idea of limiting campaign costs by creating a Council for Electoral Campaigns that would establish maximum spending requirements. Another novelty was that traditional indirect subsidies, such as those for airtime on radio and television, were eliminated.

The third aspect of the reform emphasized one of the crucial deficiencies of the present system: audit. Béliz proposed that AGN be in charge of auditing the whole process. While not revolutionary, the reform proposal addressed many important shortcomings and loopholes in previous legislation. It also encountered substantial public support. On 25 March 1993, the daily *La Nación* published the results of a public opinion poll that showed a 70.5 percent approval rating for Béliz's initiative. The following April, the poll agency Nueva Mayoría recorded 89 percent support (Ferreira Rubio 1997:75). Regardless of these encouraging signs, or perhaps because of them, as some pundits speculate, the reform proposal never reached Congress and Béliz himself resigned shortly thereafter, citing disagreements over the Menem administration's unwillingness to enact institutional reforms. In Béliz's view, Menem had basically used his image as a young, independent-minded reformer in order to appeal to the non-Peronist, conservative voters of the Federal District. Béliz charged that behind the scenes Menem's right-hand men, Eduardo Bauzá and Carlos Corach, were actively pursuing under-the-table deals that undermined his initiatives.⁹ By late 1999, Béliz had made a political alliance with the party of former Minister of Economy Domingo Cavallo. Both Cavallo and Béliz became open critics of former President Menem and repeatedly charged his administration with being involved in corrupt deals and abuses of power.

To legitimize campaign financing in the eyes of the public, a 1994 Constitutional reform introduced important changes in this regard. For the first time, political parties were recognized as being "fundamental institutions of the democratic system" entitled to public financing according to article 38. The same article prescribes that political parties must publicize "the origin and destination of their funds and assets."

During Menem's second term, his administration produced a new reform proposal. Individual private contributions were to be limited to no more than \$1,000 per year or electoral campaign. Institutions and companies were allowed up to \$3,000.

⁹ Bauzá was generally regarded as Menem's chief strategist, whereas Corach was his main legal counsel. Both men occupied different ministerial positions during Menem's two terms.

Anonymous contributions were prohibited, but a loophole was created for grassroots fundraising without establishing limits. Private contributions, as in Béliz's proposal, were tax deductible and 50 percent of their amount targeted to technical support programs. Public funds were to be awarded to parties that had obtained at least two percent in the latest national election, and of this amount 20 percent had to be spent on the technical training of party leaders. As for controls, the Menem administration's project called for the setting of a formula to limit campaign expenditures that, in the end, did not promote much transparency (Ferreira Rubio 1997:76). Control functions were ascribed to AGN and the Electoral Tribunal. Parties were mandated to publish their yearly budgets both in the *Boletín Oficial* and one of the two largest circulation dailies in each district. In the end, even this watered-down proposal failed to reach Congress. Alternative proposals by individual legislators, including one by then Senator de la Rúa and former presidential candidate Octavio Bordón, did not fare any better.

Throughout the 1990s, 85 reform proposals were drafted by members of Congress, but none was ever approved. As of May 2000, there were three proposals being circulated in Congress. One of these three was proposed by Senator Carlos Corach (Peronist), former Interior Minister.¹⁰ Yet, all these bills fall short of addressing the key issues. They tend to emphasize prohibitions and limits, but downplay the problem of law enforcement since no provisions are spelled out to revamp the electoral court system, improve auditing procedures, and increase the number of both electoral judges and staffers in charge of upholding the law.

Box 4 **History of Campaign Finance Legislation in Argentina**

The reasoning behind public financing for campaigns stemmed primarily from the preoccupation of creating a level playing field for all political organizations and promoting the legislators' independence from powerful lobbies. The first decree in this regard dates from 1931 and several others followed until 1945. In 1957, the administration of President Pedro Aramburu issued Decree 5573/57, which made Argentina one of the first countries in the world to create indirect financing and subsidies for political parties. In 1964, Law 16.652 incorporated many of the provisions of previous decrees. In 1971, Law 19.102 made some modifications to Law 16.652 requiring parties to retain the documentation regarding their finances for four years and established sanctions for non-compliance. Following the 1976 military coup, the military enacted Law 21.277, which suppressed all subsidies and other privileges since parties were disbanded and their assets frozen. As the country returned to democracy, Congress passed Law 23.298 in 1985, which constitutes the regulatory framework governing campaign finance at the federal level (Ferreira Rubio and Goretti 1993). Some notable modifications were introduced in 1992 through decree 2089/92, which replaced the indirect subsidy system with cash contributions that parties administer according to their needs. In 1993, Decree 1683/93 created a federal contribution for party conventions of up to \$50,000 for parties represented in Congress and \$15,000 for parties without a congressional delegation (Ferreira Rubio 1997:38).

Local Achievements:

At the local level, each province as well as the Federal District has its own legislation. The problem with legislation at both the federal and provincial level is that the enforcement of auditing controls on party finances is virtually non-existent (Sabsay

¹⁰ Corach became Minister of Interior during Menem's second term.

1998). This is all the more disturbing since a large amount of parties' funds comes from tax payers' money.

Nevertheless, there have been improvements. Law 268 of the Federal District of Buenos Aires established for the first time some of the ground rules contained in the Béliz proposal such as:

- a. Parties can start their campaign no sooner than 60 days prior to the date of the election.
- b. Parties, or coalitions of parties, must open an account for campaign contributions with the Banco Ciudad de Buenos Aires where both public and private funds will be deposited.
- c. Each party or coalition of parties is allowed to spend up to \$0.40 per eligible voter.

It is legitimate to wonder why Buenos Aires could implement such changes where the Executive and the Congress have so far failed. The explanation is multifaceted. First, the Federal District is the country's political, economic, and media center. Accordingly, its 3.5 million residents are likely to be the most politically sophisticated and demanding voters around the country. Not surprisingly, Buenos Aires has been the center of all the major debates on campaign finance reform. Second, the level of political mobilization is highest in the Federal District and grassroots associations have been quite active in pushing this issue and in so doing, they have been helped greatly by the media (the few existing public opinion polls on the issue were taken in Buenos Aires). This, in turn, has prompted the same political parties that have been apathetic in Congress to embrace the issue to avoid looking bad before public opinion at the city level.

The current status of campaign finance legislation at the Federal and Federal District levels is summarized in Table 3.

Weaknesses of Existing Campaign Finance Control Mechanisms

Most observers agree that the greatest problem with the current system of public financing of political parties is the lack of enforcement of those control mechanisms spelled out in the different laws and decrees. Because of this deficiency, it is virtually impossible to know the real finances of Argentine parties and the way such finances are spent. Sabsay (1998) notes that there are two fundamental problems in this regard. First, the competent authority rarely carries out effective audits. This can be explained by the fact that the institutions entrusted with such controls are under the direct control of politically appointed officers who have no incentive to uncover the true state of affairs. Second, all parties involved, from the large to the small ones, benefit greatly from this state of affairs, creating a situation of tacit silence and thwarting any attempt at control and reform.

Table 3. Comparison of Campaign Financing Laws for the Federal District and the Federal Government of Argentina¹¹

Federal District	Federal Government
<p>Type of Law Law No. 268 on regulation and financing of Campaigns</p> <p>There is no law regulating parties, nor an electoral code.</p>	<p><i>Type of Law</i> A specific law at the federal level on this issue does not exist</p> <p>Art. 38 of the Constitution. Law 23.298 on political parties, plus presidential decrees (especially 2089/92).</p>
<p><i>Time and Expenditure Limits</i> The law limits the duration of campaigns to 60 days.</p> <p>Art. 8 states: Political parties, alliances and confederations [of parties] can spend funds for electoral campaigns of a maximum amount in each category that in no case exceeds forty cents per voter allowed to cast a ballot. The maximum amount is applicable to each official list independently of who makes the expenditure.</p>	<p><i>Time and Expenditure Limits</i> There are no time limits to campaigns.</p> <p>There is no limit to campaign expenditures</p>
<p><i>Public Financing</i> The Federal District contributes to party financing. This amount (Art. 9) is distributed to parties, alliances and confederations that file official lists in the following manner: 1) fifty cents by each category for each vote obtained in the last city council election. If the list was for an alliance, the corresponding sum will be given to the parties that make it up, according to percentages agreed upon by each party before-hand; 2) the remaining funds are distributed equally among all parties that file lists.</p>	<p><i>Public Financing</i> The federal law establishes a contribution for electoral campaigns in accordance with the votes obtained during the latest election. The sum per vote is established each year in the national budget law. It varies between one and three pesos. 80% is distributed to party district headquarters and 20% to the national headquarters. Originally conceived as a contribution only for election years, it has become common practice to fund parties on a yearly basis irrespective of elections</p>
<p>Private Financing Individuals cannot contribute more than \$20,000 per campaign (Art. 14).</p> <p>Party members' donations are not an important source of funds.</p> <p>Anonymous donations are forbidden.</p> <p>All contributions that are not from public sources must be made by individuals, Argentine or foreign, who are resident in Argentina. Public officials are not allowed to contribute</p>	<p><i>Private Financing</i> The law does not establish any limits.</p> <p>Party members' donations are not an important source of funds.</p> <p>Anonymous donations are allowed if they are from public fund-raising. The law allows people to remain anonymous if they are solicited</p> <p>There is a detailed list of those who cannot contribute, including foreign nationals and corporations, government companies and agencies, etc.</p>

¹¹ Source: Poder Ciudadano, July 2000.

Federal District (continued)	Federal Government (continued)
<p style="text-align: center;"><i>Sanctions</i></p> <p>Those parties that exceed their established limits for campaign costs lose in the next election the right to receive public funds by a total three times as large as the excess amount.</p> <p>The parties and all those who make illegal contributions will be fined a total of between three and ten times the total amount paid. Moreover, the following can be prohibited for two to six years from voting or being elected:</p> <ol style="list-style-type: none"> 1) All those who directly or indirectly bring or offer funds in violation of the law. 2) All those who directly or indirectly solicit, accept, or receive funds in violation of the law. <p>The tribunal in charge will terminate any campaign event that violates the terms of the law.</p>	<p style="text-align: center;"><i>Sanctions</i></p> <p>Those parties that receive illegal contributions must pay a fine twice as large as the amount obtained. The company or entity that makes the contribution will be fined ten times the amount disbursed. Those individuals who participate in the transaction will be subject to the suspension of political rights and banned from public office.</p>
<p style="text-align: center;"><i>Publication of Electoral Results</i></p> <p>Forty eight hours before the election and three hours afterwards, publication of, media commentary on, and references to the electoral results are prohibited.</p>	<p style="text-align: center;"><i>Publication of Electoral Results</i></p> <p>No specific provisions exist on this.</p>
<p style="text-align: center;"><i>Control of Contributions and Expenditures</i></p> <p>Political parties must present before the District General Auditing Agency the following documentation:</p> <ol style="list-style-type: none"> 1) Ten days before the elections, parties must present a memorandum that states earnings and expenditures related to the campaign with details of their reason, origin, amount, and use. In addition, parties must state their earnings and expenditures up to the end of the campaign. 2) Within ten days after an election, parties must present the final financial balance. This information is public, and must be undersigned by both party authorities and a certified public accountant. The official Audit Agency may establish norms for the presentation of such documentation. 	<p style="text-align: center;"><i>Control of Contributions and Expenditures</i></p> <p>The Federal law prescribes that the National Electoral Tribunal oversees the parties' assets. Parties must present a detailed account of costs and earnings at the end of each fiscal year.</p>
<p style="text-align: center;"><i>Timetable to Present Final Report</i></p> <p>Within ninety days following the day of the elections the Federal District Auditing Agency must make ready and publicize its report. This report must be published in the Official Bulletin of the Federal District.</p>	<p style="text-align: center;"><i>Timetable to Present Final Report</i></p> <p>Sixty days after the elections parties must present the final balance of earnings and expenditures related to the campaign. The annual report of the party finances must be published at the district and federal level, for one day in the Official Bulletin.</p>

Although art. 38 of the Constitution obliges parties to publicize the origin and destination of their funds, it fails to determine which institution is in charge of monitoring compliance. In fact, here we have a possible case of multiple jurisdictions where each agency seems to wait for the other to fill the vacuum. Indeed, the Ministry of Interior is the institution in charge of administering the FPP and could perform audits on a number of counts. Likewise, the *Tribunal Nacional Electoral* (National Electoral Tribunal) is theoretically entrusted with the authority of controlling the assets of political parties. In fact, parties are mandated to publish a general account of incomes and expenditures at the end of the fiscal year. Moreover, 60 days after each election, parties must present receipts and expenditures related to the campaign contest. If the judge overseeing the documentation has no objections, the documentation is automatically approved. However, the problem is that the case is referred to the federal judge who is designated to handle electoral issues in each district, since there is no specialized judicial body dealing with political parties and their financing. Only a handful of judges have experience in these matters and even these magistrates lack specialized staff and resources with which to do an adequate job. In the end, most cases end up with judges lacking expertise in accounting procedures and busy with a host of other issues. Thus, budget reports are rarely contested (Ferreira Rubio 1998; Sabsay 1998).

Public scrutiny of party finances is hampered by the means used to publicize them and the form that these financial statements take. The disclosure of annual reports of party finances, both at the district and national level, must be published once a year in one issue of the *Boletín Oficial* (Official Bulletin). Experts (Ferreira Rubio 1997; Sabsay 1998) regard this form of public information to be completely inadequate since the bulk of the population does not have access to this official publication (its circulation is limited). Moreover, the norms regulating the content of financial statements are vague and allow parties to provide minimal information. For instance, the statement provided by the UCR for its fiscal year ending 30 June 1993 does not clarify which funds were of public and private origin. The text categorizes incomes into: contributions from legislators \$164,489; contributions from former legislators \$6,914; and contributions from the Comisión Hacienda \$836,899 (Boletín Oficial 22 February 1996, 2nd Section, p. 28). The Peronist financial disclosure in 1995 was organized as follows: contributions from legislators \$225,305; contributions from the party fund \$4,127,701; and donations to the electoral campaign \$11,340,000 (Boletín Oficial 27 March 1996, 2nd Section, p. 28).

This brief description highlights the lack of precision and transparency of financial disclosure by the two largest parties. It also shows, particularly in the case of the UCR, a budget suspiciously low when compared to media accounts of electoral campaign costs. For instance, in 1989 the PJ's known funds were \$1,832,300, whereas the advertisement costs for that party's presidential and congressional election that year totaled \$4,428,446. The UCR's declared funds for the same year were \$1,747,000 against campaign expenditures of at least \$4,249,221 (Olevero 1994:184). The large gap between declared funds and actual campaign expenditures would suggest that political parties can actually count on much larger sums than they want to admit, and they take advantage of lax controls and loose legislation to avoid effective scrutiny that could embarrass them.

One could summarize the *main drawbacks of the current systems* as follows: (Ferreira Rubio 1997; Sabsay 1998):

- a. Lack of will by political parties irrespective of their ideology to alter the status quo.
- b. Absence of enforcement mechanisms prescribed by the existing legislation.
- c. Lack of an independent auditing institution. The Ministry of Interior is *de facto* in charge of the situation and accountable to no one.
- d. Government neglect to provide any relevant information to the general public, which is purposely kept in the dark. This is evidenced by several embarrassments that the government suffered in provincial elections where it first declared the winner to be a pro-government candidate, and after weeks of foot dragging it had to concede that earlier estimates were wrong.
- e. Inadequacy of the existing Electoral Tribunal that lacks the specialized staff, technical resources, and financial means to fulfill its mandate.
- f. No limit requirements for the financing of parties and their campaigns.

A common criticism of the present system is that it favors small provincial parties that obtain substantial sums in comparison to their true electoral strength. This problem notwithstanding, the PJ and the UCR receive the lion's share of federal funds, which explains why no concrete effort has been made to alter the present system.

Chapter V

Civil Society Responds

Where the formal political institutions have feared to tread, and where administrative structures have failed, civil society sometimes steps in. In Argentina, *Poder Ciudadano* (PC) has been the one NGO on the forefront of the demand for greater transparency in the way parties manage their electoral campaigns. Much of the publicity and public debate on the issue is due to PC's initiatives (de Michele 1999).

Poder Ciudadano Initiatives

PC was born out of the initiative of Marta Oyhanarte whose husband was kidnapped for ransom in the late 1980s. Ms. Oyhanarte quickly understood that the very institutions that were supposed to find her husband were actually covering up the crime. Only after a tireless effort to force the federal police and the ministry of the interior to take action did Ms. Oyhanarte find out that her husband had been kidnapped and eventually killed by corrupt police officers, who were tried and convicted. These events convinced Ms. Oyhanarte that government institutions in Argentina would not work if left to their own devices. Accordingly, she concluded that the only way to have institutions deliver public goods to the citizenry was to make them accountable for their performance by organizing grassroots pressure. In her quest, Ms. Oyhanarte drafted the support of young professionals who had already shown strong civic leadership and were not tied with political parties. The most important of these people was Luis Moreno Ocampo, a former federal prosecutor who had been part of the legal team that brought to trial and convicted, for the first time in the country's history, the leaders of the military that took power in 1976.

Box 5

Poder Ciudadano's Mission Statement

Creating a space within which the citizen can learn to exercise his/her civic rights and cooperate in the strengthening of the administration of justice and the fight against corruption.

Developing mechanisms of citizen control to promote a more efficient and independent administration of justice and respect for the republican institutions.

Poder Ciudadano is an apolitical, non-profit NGO, which promotes citizens' participation and civic duties.

Although originally founded in 1989, PC became fully operational only in 1990. Oyhanarte and Moreno Ocampo were the driving forces of the NGO. Although, over time, the demands of their legal practices forced them to delegate to younger staffers the day-to-day management of the NGO, they continued to exercise a strong role on most

strategic decisions. In 1997, Ms. Oyhanarte decided to run for the city government of Buenos Aires and stepped down from the board of directors of the foundation she had created. This left Moreno Ocampo with a dominant role to play within the NGO.

Since its inception, a large part of PC's activities centered on corruption-related issues, although other initiatives focused on civic education. While corruption, as noted earlier, had plagued Argentina for centuries, it became an increasingly debated issue in the early 1990s as the Menem administration was allegedly involved in a series of scandals at a time when the government asked citizens to make unprecedented sacrifices to reverse the country's economic slump. The independent media played a crucial role in exposing corruption and this fact was instrumental in increasing public perception about the gravity of the problem, as measured in the Gallup polls displayed in Table 1. Seizing the initiative, Moreno Ocampo, who made the fight against corruption almost a personal quest, positioned PC as the premier Argentine NGO dealing with this issue and its many ramifications.

The Databank Project:

The so-called project *Banco de Datos de Políticos Argentinos* (databank of Argentine politicians) began in 1992. The databank covered the socioeconomic, political, professional, and personal profiles, as well as the political platforms of the candidates running for congressional office in the Federal District in 1993, 1995, 1997, and 1999. In the late 1990s, PC added another, more ambitious project aimed at full-fledged financial disclosure of electoral campaigns for the Federal District's city council (1997 and 2000) and for presidential elections (1999).

At the time Poder Ciudadano launched its first program in 1992-93, the project was managed by a program director in charge of a few assistants (one of them tasked with data entry). In 1992, the only person with substantial experience on the staff was Patricia Valdez, who was also the person who developed the concept of the databank and remained its program director until the mid-1990s. In the year 2000, there were only two people working on it almost full time and only the assistant to the director received an honorarium. This meant that often other staff members helped out when they had time available from their own programs. PC did not seek the collaboration of other NGOs in the Buenos Aires area.

Let us first focus on the progression, and scope of PC's databank surveys, which are displayed below:

1993 May	Profile of the candidates for the Chamber of Deputies in the Federal District
1995 May	Profile of the candidates for the Presidency of Argentina and for the Chamber of Deputies in the Federal District
1996 October	Profile of the candidates for the Senate in the Federal District
1996 June	Profile of the Chief of Government and Constituent Assembly for the Federal District

1997 October Profile of the candidates for the Chamber of Deputies in the Federal District and for the City Mayor and City Council of the Federal District Aires

1999 October Profile of the candidates for Presidency of Argentina, governorship of Buenos Aires province, and the Chamber of Deputies in the Federal District.

Poder Ciudadano's goals with these activities were multiple, but all responded to some basic tenets behind the idea of citizenship. First of all, in a political system where party headquarters select candidates for office, the initiative meant to make politicians more open about their personal records, financial assets, and stance on issues. Second, it filled the vacuum left by government institutions that were supposed to bring transparency to the electoral process, but failed. It did so in a non-confrontational, cooperative style where voters simply exercised their right to know about the politicians who wanted to represent them, thus empowering citizens and making them more active in the political process. Third, it made politicians more accountable to public opinion by requiring them to comply with normative standards of democratic governance. Fourth, it aimed at turning what has traditionally been either a passive or partisan voter into an informed citizen who now has one more tool to make political decisions.

Summing up, the rationale behind the databank project was that if candidates are pushed to be more responsive, the public eventually is better served, since public pressure forces them to improve upon their delivery of services and programs. Even parties and their politicians benefit from it, since this can counter unfounded rumors, and political participants themselves are forced to upgrade their skills and standards.

To implement the program, PC's staffers followed the following procedure:

- They started by advertising the program through a variety of means that varied from year to year, depending upon the kind of elections at stake. As noted, until 1996 PC published its own magazine, and it advertised its need for volunteers through that publication. In general, PC called for a general open meeting two months before the elections. In addition, PC also sent public announcements to newspapers providing information about the nature of the project and its goals. Furthermore, when PC hosted other events, such as the signing of the Integrity Pact (see below), staffers used the public gathering to publicize its recruitment effort. In 2000, PC contacted only those who had participated on previous occasions or those who on their own initiative had contacted the NGO.
- Next, they located the addresses where party candidates could be reached following the information provided by party headquarters. Once the candidate's address and telephone numbers were acquired, either staffers or volunteers would call the candidate to arrange for an interview and to bring a questionnaire. Volunteers would personally hand over the questionnaire to the candidate (PC refused to leave the document with a receptionist or secretary).

- The next step was the interview process. Once the candidate and the volunteers had agreed upon an interview, two volunteers would visit the candidate in his/her office. In some cases, when only one volunteer could be present a PC staff member would step in to guarantee that at least three people were present.
- Once the candidate filled out the information profile, which included a brief biographical sketch, a disclosure of salary earnings and assets, and a political statement, PC published it and made it available to potential voters through booklets. As time went on, the results were posted on PC's web site.¹² The internet site was made possible thanks to the help of the *Centro de Comunicación Científica* (Communications School) of the University of Buenos Aires.
- If people, upon reading the information, found discrepancies, they were invited to relate them to PC, which in turn informed the candidate, who could issue a rebuttal.

The project received the bulk of its funds from foreign institutions such as The Tinker Foundation and the National Endowment for Democracy. Some technical support came from the two largest Argentine media organizations: *Clarín* and *La Nación*.

One of the aspects that people found most interesting in the databank questionnaire was the voluntary disclosure of the candidates' financial assets that were made available to the public at large—this alone was an unprecedented achievement in Argentina. This point is quite significant since such statements were later used by citizens and media organizations alike to compare what politicians had declared vis-à-vis subsequent reports that were disclosed in the press and by government agencies on an individual basis.

From 1993 to 2000, the databank program has met with increasing success and has gained great media exposure. In turn, this has created incentives for candidates, who otherwise would have refused, to cooperate with PC's interviewers and make their profile a matter of public record. The number of candidates who decided to cooperate with the databank has increased steadily, reaching about 60 percent of the total in the latest elections.¹³ To date, 450 politicians have voluntarily filled out PC's questionnaires (Poder Ciudadano 2000:6).

As a general rule, during the Menem era the Peronist candidates were less likely to cooperate, whereas the Radicals seemed to be more forthcoming. Menem himself refused to disclose his own data during the presidential elections of 1995. In 1999, however, the PJ's presidential candidate and, in general, other fellow Peronists showed a much greater willingness to cooperate. This brings us to the tentative conclusion that those in the opposition perceive the databank as an opportunity to close the electoral gap to a greater extent than those in government.

In point of fact, some highly visible politicians have used the personal profile that they filed with PC to demonstrate that they had nothing to hide when their integrity came to be questioned in Congress and in the press. This was the case, for instance, of former

¹² (www.podciu.org.ar).

¹³ PC was unable to provide us with a detailed data set of respondents for each election.

Minister of the Economy Domingo Cavallo in the mid-1990s when he became the target of a smear campaign. During a television interview he let people know that the information about his personal assets, which had been put into question, was readily available through PC's databank.

Box 6
Poder Ciudadano: Quick Facts

General Area Programs: The issues on which PC focuses remain the same over time while programs change. Five programs have been pursued with substantial continuity throughout the 1990s (justice administration, citizen participation, civic information, civic control of public funds and institutions, and environmental control).

Specific Programs: Within these general areas of intervention several specific programs stand out. The Databank Project has been carried out since 1993 and the Integrity Pact since 1997. In 1997, PC worked with the Governor Arturo Lafalla to improve the transparency of the procurement process for the public tender of computer services in the province of Mendoza. In 1998, PC worked on a similar project with the Buenos Aires Mayor Fernando de la Rúa to introduce public hearings in the public tender for the underground system of that city.

Staffing: From 1991 until 2000 Poder Ciudadano has had between 7 and 10 full-time staff members.

Funding: The annual budget within the 1991-2000 period has fluctuated between \$150,000 and \$450,000.

The Integrity Pact:

Building upon the early results of 1993 and 1995, PC decided to tackle the issue of campaign financing starting in 1996. In 1997, PC monitored the campaign expenditures of the candidates for mayor of the Federal District (a newly-instituted election; prior to that date the incumbent president selected the mayor). PC did so by estimating campaign costs based upon the frequency of print, television, and other forms of electoral ads, along with ongoing prices for such ads in the advertising market. Once again this initiative received an unprecedented level of publicity and praise.

PC renewed the effort and improved upon it during the 1999 presidential elections. This time, PC institutionalized its project into the so-called "Integrity Pact." The Pact resulted in the three most important candidates signing an agreement under which they voluntarily disclosed the cost of their campaigns. At the same time, PC obtained the collaboration of leading companies in the accounting and advertising business that monitored the different types of publicity used by the candidates and came

up with market-based figures for each campaign.¹⁴ In so doing, PC could compare each candidate's own figures with the estimates provided by the private consultants.

Eduardo Duhalde (Peronist) and Domingo Cavallo (independent) signed the same accord, in which they pledged to provide detailed information about costs and origin of their funds from January to October 1999 and explain possible discrepancies. Fernando de la Rúa (Radical running for the Alianza, a coalition made up of Radicals and smaller center-left parties) instead agreed to disclose information only for the month of August. Interestingly, the same Alliance candidate, who eventually became president, made corruption and transparency one of his key campaign issues.

As the campaign started both Duhalde and Cavallo provided PC with information about their campaign costs, but did not make public the origin of their funds. De la Rúa did not agree on this particular aspect nor did he disclose such data after being elected. This demonstrates that even the UCR, when put to the test, felt ambivalent and opted for the "politics as usual" strategy. As on previous occasions, PC's initiative captured the headlines of the largest newspapers and television networks. Its results were published in the press and also made available through the internet.

The following are the amounts disclosed by the presidential candidates vis-à-vis Poder Ciudadano's estimates (in parentheses) from January to September 1999.

- The Peronist candidate Eduardo Duhalde declared \$26,570,626 (\$40,398,174);
- The Radical candidate Fernando de la Rúa claimed \$19,049,339 (\$33,727,944); and
- The independent candidate Domingo Cavallo admitted to \$2,424,155 (\$4,593,435).

It must be stressed that PC's estimates covered only the Federal District and the province of Buenos Aires and therefore exclude costs incurred by the three candidates elsewhere (Poder Ciudadano 2000). Nonetheless, even after taking into account the discounts that the law grants to political parties, PC's estimates were far larger than what the candidates had declared (by 64% in the aggregate).

In early 2000, Poder Ciudadano drafted a new Integrity Pact with the candidates for the elections of the mayor and city council of the Federal District. The candidates for the three major parties signed the same type of accord that PC had developed for the 1999 presidential elections. The data provided by the parties are shown below and cover the whole campaign period (March-April). However, again the Alianza provided partial data pertaining to the month of March, while the other two parties reported for both months. In parentheses are the PC's estimates:

- Alianza \$733,751 (\$6,017,410)
- PJ \$325,412 (\$851,268)

¹⁴ The accounting and advertising firms involved waived their fees for PC. The reason for such collaboration rested on the novelty and high visibility of PC's project, which turned into free publicity that such companies received any time the media covered the project's results. To some degree the same firms cited the fact that they thought such an involvement served the public interest.

- Encuentro por la Ciudad \$1,322,803 (\$3,456,670).¹⁵

These data portray a consistent pattern of substantial underreporting. The difference between PC's estimates and what each party declared, both in dollar terms and percentages, is as follows:

- Alianza \$5,283,659 (87%)
- PJ \$525,791 (61%)
- Encuentro por la Ciudad \$2,133,867 (61%).

The discrepancy between parties' official data and PC's estimates points to the magnitude of the problem at hand. In both the presidential elections of 1999 and the Federal District contest of 2000, parties explained the large difference by the fact that media organizations give them large discounts. It also shows that the front-runner, in this case Alianza, for both the 1999 presidential elections and the Federal Capital city government elections, was the least willing to cooperate with a full disclosure. Conversely, the underdogs were more likely to be forthcoming in providing information and a bit less prone to underreport.

Box 7 **Recent Media Coverage of Poder Ciudadano's Programs ***

Databank Project

"Erman Gonzalez accused of obtaining funds through illicit means" *La Nación*, 6-6-00
 "Shopping with lots of information" *Página 12*, 5-4-00
 "Alderete states that large amounts of money have been wasted on public functions" *Clarín*, 2-25-00
 "Only 49 of 75 candidates will report their assets" *La Razón*, 10-27-99
 "The assets declared by each candidate" *La Nación*, 10-21-00

Integrity Pact

"Costly campaigns" (editorial) *La Nación*, 8-18-00
 "Ibarra and Cavallo surpassed expenditures" *La Nación*, 8-15-00
 "The dark side of financing politics" (editorial) *La Nación*, 6-17-00
 "Expenditures of the porteña campaign will be publicized" *La Prensa*, 6-6-00
 "Ibarra's expenditures almost doubled Cavallo's in the Porteña Campaign" *La Nación*, 6-5-00
 "The bills keep coming" *La Primera dela Semana* (magazine), 5-2-00
 "The candidates commit to publicizing campaign finances" *Página 12*, 3-12-00
 "Almost one hundred million in campaign expenditures" *La Nación*, 12-3-99

(*) *Clarín*, *La Nación*, and *Página 12* are the three most important Argentine newspapers.

(*) Titles have been translated.

¹⁵ Data provided by Poder Ciudadano. Buenos Aires, July 2000.

Challenges and Criticisms

Resource Management

It is a challenge for any NGO to attract and manage resources effectively. Poder Ciudadano's experience reflects the common problems of constrained resources, a struggle for focus, and limited institutional capacity.

PC's founders, Luis Moreno Ocampo and Marta Oyhanarte were able to secure in the early 1990s substantial funds from USAID and the Ford Foundation (roughly \$200,000 and \$50,000 annually) to start the first programs. As the USAID-sponsored programs came to an end in 1993-94, PC, while continuing its collaboration with the Ford Foundation, attracted new resources from the Tinker Foundation, the Kettering Foundation, the U.S. National Endowment for Democracy, Partners of the Americas, and other U.S. government agencies. During the 1990s, about 90 percent of PC's funds came from the United States, within which government funds accounted for the lion's share. The remaining funds came from domestic sources. European and Japanese governments and foundations did not play any meaningful role.

Box 8 Poder Ciudadano Grants

Following is a list of the donors and expected outputs for the corruption-related projects that PC put together in the 1990s:

- 1991-94 USAID. Project aimed at raising public awareness about corruption and engaging different sectors of civil society in analyzing the problem in order to make it a central issue in the Argentine political debate.
- 1993-94 National Endowment for Democracy. Support for the Databank project surveying Argentine candidates for Congress in the Federal District.
- 1995-2000. Poder Ciudadano funds on its own the Databank project for lack of alternative resources.
- 1996-97 Tinker Foundation. Design of a model for auditing and monitoring campaign financing.
- 1999-2000 Tinker Foundation. Developing a finance monitoring model to assist other NGOs in Latin America.

As can be seen from Box 8, PC's Databank project received foreign support only in its early stages. The Integrity Pact project did not receive direct support per se, but some of the collateral activities linked to it did. An example of this is the aid provided by the Tinker Foundation. In its second two-year grant award, Tinker expected PC to develop a campaign oversight expenditure model based upon the Argentine experience that could be eventually applied in other Latin American countries. Once the model was developed, PC staffers were expected to train members of Latin American chapters of Transparency International in monitoring techniques.

Why did PC meet little success in raising money from Argentine donors? According to one of PC's former managing directors, in Argentina the pool of donors has been traditionally very small and heavily concentrated around a few large domestic companies and multinational corporations. The initial support of foreign donors in part delayed PC efforts to find domestic financial resources. The lack of a clear domestic strategy in this sense penalized PC once foreign funds dropped significantly. What complicated PC's outreach effort in the 1990s was that its transparency and anti-corruption programs, if anything, scared away corporate donors. This was due to the fact that Argentine companies were heavily dependent on good relations with the Menem administration for government contracts and privatization programs. PC came to be perceived by corporate donors as promoting an agenda that antagonized the Peronist administration. Fearing that President Menem could object to the funding of PC's activities, most domestic companies declined financial support. Things began slowly to change in the late 1990s when the prospect of a new Peronist presidential victory became remote.

What is also quite interesting to note is that the heavy U.S. influence in funding PC's activities, far from provoking a nationalist reaction, was often regarded by Argentine politicians as a positive factor. As reported by PC staffers, local politicians saw the U.S. government agencies support as enhancing the credibility of the NGOs' programs. This is because, as the country returned to democracy, political elites in Argentina looked at the United States no longer as an imperialistic superpower, but rather as a model of governance. This shift is also evidenced by the fact that while Juan Perón had a troublesome relationship with Washington in the 1940s and 1950s, Menem, a Peronist himself, made a deliberate effort to make Argentina the closest U.S. ally in Latin America.

Throughout the 1990s, PC remained a small NGO with a full-time staff of 7 to 10 people, most of them quite young. Some came from a background in civil rights while others from a more formal training in constitutional law. To this day, most of them are recent university graduates or are still attending college. Less than a dozen staff members are full time, while the rest are either part-time or volunteers. PC works as an advocacy group. As Christian Gruenberg, one of its staffers, explained to us, PC does not lobby Congress. In many cases, the NGO believes that existing laws are fairly good. Consistent with the institutional analysis developed earlier in the paper, Gruenberg told us, "Foreigners have to understand that the control institutions responsible in our specific case of monitoring the financing of political parties do not comply with their task. In fact, if you were to ask the Electoral Tribunal the balances for the 1999 elections, they will tell you that they do not have them. In a country like Argentina, where formal controls are in the hands of political parties there is no other alternative than social control."¹⁶

Following this rationale, PC's aim since its inception has been to create public consciousness of corruption and other relevant issues that affect citizens' rights. Its intent is to generate through its programs a public demand so that public officials are forced to abide by the law. To this end, PC consistently has tried, although with varying degrees of

¹⁶ Interview with Christian Gruenberg. Buenos Aires, May 2000.

success, to draft the cooperation of volunteers in order to pursue its programs as a way to empower citizens. Recruitment has usually been done through advertisements in the PC magazine, before budgetary constraints forced its cancellation in 1996, and by using public events where PC staffers could make free announcements. Once PC held a meeting, its staffers explained the different programs that the NGO was working on and then asked volunteers to select those they wanted to join. These meetings usually took place a few times a year, drawing an average of 20 to 25 people. The background of the volunteers has usually been diverse, but the largest categories have been university students, young professionals, and housewives who shared PC's vision that the only way to make institutions work is through active citizen participation.

How did PC make its strategic decisions as to what areas were top priority? Such decisions have been shaped less by strategy and more by what Oyhanarte and Moreno Ocampo thought was important at any given point in time. In other words, decisions had to do more with the charismatic leadership of PC's founding fathers and less with a structured decision-making process. This explains why in its early days the NGO did not have a focused agenda. Only later did PC develop programs that targeted specific aspects of corruption, such as the Databank Project and the Integrity Pact, which will be analyzed further on. The lack of long-term strategies often translated into a lack of planning and internal organization, as well as poor communication of general goals from the board to the staff. These problems often led to the departure of the most capable program directors and executive managers in the second half of the 1990s. In turn, this staff depletion made the problems mentioned above even more acute by the end of the decade.

Implementation Difficulties

PC encountered several serious problems in implementing its initiatives, especially in the early years of the Databank Project. These include the following:

- Given the background of the staff in human rights, in the early stages a substantial amount of time was spent in developing a questionnaire that candidates would not find politically biased.
- Becoming acquainted with several technical aspects of the data gathering process proved time-consuming.
- Equally, if not more time-consuming, and quite often frustrating, was finding a contact person in order to get in touch with the candidates. PC's staffers and volunteers soon found out that the parties themselves do not really know how to contact their own candidates. On numerous occasions, parties gave PC information that was either incomplete or inaccurate. This forced PC to spend a lot of time to develop alternative methods to gather basic logistical information. In the case of small parties, things were compounded by the fact that many do not participate in every election, or change their names, location of their headquarters, and telephone numbers.
- The alternative information gathering proved difficult at times. Some candidates had already presented their sworn statement to governmental institutions, such as the Congress, the Federal District city council, etc. Others had previously answered PC's

questionnaire and had nothing to add. Some were not interested at all and told PC that citizens could ask them directly if they wanted to know and did not need PC to be involved.

- Quite a few of those who actually responded (PC could not actually provide statistics on these cases) did not cooperate, because they found the initiative to be intrusive on their own privacy. A typical example of this behavior came from the leader of a small, but highly influential conservative, pro-market reform party who eventually became Menem's personal adviser for the re-negotiation of Argentina's foreign debt. The gentleman, a former minister of the economy, entertained several of the PC staffers' questions, but decided against making his personal data available to the public, since he believed that voters had the right to inquire about his political ideas, but not about his personal affairs.

- Another set of candidates questioned PC's true motives, and told the NGO that its findings could be manipulated by political enemies. These candidates often responded defiantly, asking PC whom it represented before granting such information, and demanding to know more details about the identities of the members of the foundation, specifically their founding members. When this happened, PC responded that none of its members was a candidate of any political party. In point of fact, it is reasonable to assume that PC's background in human rights made many candidates within this group suspicious from the start. Many of them assumed that PC staffers and volunteers were "liberals" trying to dig up possibly damaging information against them. The fact that two of PC's founders and members of its board of trustees were practicing lawyers and one of them, Moreno Ocampo, owned a law firm specializing in corruption cases, raised questions in the minds of several candidates. Moreover, the high profile of former PC president and board member Marta Oyhanarte, who, after leaving PC in 1997, was elected twice for the city government of the Federal District may have weakened PC's apolitical image. Thus, many refused to cooperate.

- Until the mid-1990s, Peronist candidates and their allies from smaller parties were less willing to cooperate. Conversely, opposition candidates from the UCR were more forthcoming. Small, left-wing party candidates often displayed an erratic, non-cooperative behavior. Once the UCR and their Alianza allies won in the Federal District elections and then the 1999 general elections, the roles reversed, with the Peronist and conservative candidates being appreciably more cooperative than Alianza's candidates.

- Another common problem was that candidates often alleged a lack of time to respond to the questionnaire due their tight campaign schedule. Thus, they could not receive the volunteers and fill in the questionnaire.

- The involvement of the volunteers was uneven and showed a declining trend. At its peak the project had 80 volunteers, but during the last two elections it has averaged about 35-40. Part of the reason rests on the socioeconomic situation of the country. According to PC staffers, some former volunteers told them that due to economic necessity (Argentina went through a long recession in the second half of the 1990s) they had to work two jobs and did not have time anymore to dedicate to the NGO. Others lived far away and found it increasingly expensive to travel downtown where the interviews took place.

Despite these difficulties, as the program continued through 1995, 1997, and 1999, the databank became more and more used by the media, and the number of candidates cooperating increased. This is particularly true of those candidates who faced an uphill battle for election and wanted to give themselves a greater chance by establishing their “honest” credentials through the survey. In the beginning, the financial disclosure had been a thorny issue and many candidates resisted giving that information. However, today there are no longer questions with regard to bank account and credit card numbers, hence candidates are more at ease and respond more willingly.

Constraints to Effective Cooperation

Several constraints operated to make cooperation with PC’s partners difficult, and thus to reduce the impact of its projects. Most of these only became apparent in the mid-to late 1990s. These include the following:

- PC’s approach suffered from an inherent weakness. Since the Integrity Pact rested on the voluntary cooperation of the parties involved, there was no system to establish whose figures were correct, nor a third party to enforce penalties. All PC could do was to publicize its estimates through the media. Political parties could always claim that discrepancies were the result of large discounts offered by the media and other companies they used. In the end, it was up to the public to decide for itself.
- While the project had a substantial impact through the media and quickly became the state-of-the-art source for journalists, pundits, and politicians, it failed to mobilize public opinion on the issue. In other words, the project was too media-dependent. To some critics it seemed that the Integrity Pact’s usefulness was limited to opinion leaders and did not have the desired trickle-down effect of mobilizing enough public pressure to trigger campaign finance reform.
- Whereas PC met with significant success in linking up with other NGOs in Argentina and abroad to replicate its methodology, there were doubts about the level of cooperation that PC elicited from other NGOs in the Buenos Aires area. This is somewhat striking since PC has been capable of creating good cooperative agreements with other NGOs, under the umbrella of the NGO Council, in other programs such as those dealing with the administration of justice, the environment, women’s rights, and consumers’ protection. Some expressed the opinion that if several NGOs had pulled together their efforts and resources, the results may have been much greater. However, in PC’s defense, it must be said that no other NGO in Buenos Aires has espoused the cause of campaign financing. Indeed, many NGOs tend to pursue a very narrow agenda and there is a substantial amount of turf-protection behavior. Thus, cooperation may often be perceived by NGOs that were not part of the original program as contrary to their own interests.
- Similarly to other NGOs in Argentina, PC suffers from being identified with the people who originally created it. As noted, Oyhanarte and Moreno Ocampo became high-profile public figures in the 1990s. Ms. Oyhanarte eventually went into politics, first joining the Alianza and then Cavallo’s political party. Moreno Ocampo owns a law firm that specializes in corruption, has been an adviser and consultant for several governments and multilateral agencies, and is president of the network of Latin American

NGOs that are part of Transparency International. Although Oyhanarte eventually left, Moreno Ocampo still has a large say in PC programs. This situation has been exploited by critics to undercut PC's initiatives and make them appear as mere fronts for someone else's political or business agenda. A partial solution to this problem would be a greater institutionalization of PC and other NGOs, in the sense of making them less dependent upon the leadership (direct or indirect) of their founders and more reliant upon a broader, more diversified pool of trustees and staffers. In addition, the board should have a better-defined role and develop a clear strategy for the staff to implement.

- According to PC's staffers, the NGO's strategy to create a social demand for change works through the following stages:

Information + leadership + collective action = new incentives
for politicians to reform.

However, while it is undeniable that PC has played a vital role in providing data and information on an issue that should be the responsibility of government institutions set up for this purpose, strong leadership has not emerged to organize public opinion in this area. Therefore, no collective action has materialized to force politicians to reform at the federal level. Along the same line of argument, there is a lack of a clear-cut, coordinated strategy to relate PC's demands to government institutions and political parties. Table 4 displays PC's general strengths and weaknesses.

Table 4. Poder Ciudadano's General Strengths and Weaknesses

Strengths	Weaknesses
<ul style="list-style-type: none"> • Good technical support by professionals not members of the NGO • Well qualified staff • Good know-how on a number of issues • Good relationship with local and national media • Good relationship and access to international foundations and public agencies • High institutional prestige at home and abroad • High credibility at home and abroad • Leadership role in transparency programs through the assistance of other NGOs in Latin America and Argentina 	<ul style="list-style-type: none"> • Lack of a well defined role for the board • Poor communication between board and staff • Heavy reliance on leadership of individual board members • Lack of long-term strategy and planning • Insufficient organizational structure • Difficulty in replacing highly qualified staff members • Lack of a well defined fund-raising strategy • Heavy dependence on foreign financial support • Lack of domestic sources of funding • Uneven cooperation efforts with other NGOs • Uneven participation of volunteers

Outcomes

Into Argentina's near-vacuum of effective governance institutions stepped Poder Ciudadano, with its civic campaigns for electoral integrity and transparency. *What did it achieve?* From a policy standpoint, as noted, the strength of PC's two projects has been to act upon an issue such as electoral campaign financing that, if left to political parties, would have probably remained on the sidelines of the political debate. It also tried to generate civic control where the responsible public institutions failed to carry out their

duties. We have already seen the positive aspects of PC's initiative from the standpoint of empowering civil society with means to make politicians accountable.

Did PC's initiatives have a direct impact on Argentine policy makers? Based upon the available evidence (including our interviews with PC staff), the answer to this question is negative, since there is no tangible evidence that what PC did was eventually adopted by policymakers. However, one must keep in mind that as an advocacy group, PC did not aim at influencing policy directly, but rather at raising public consciousness and putting pressure on politicians to act in a transparent fashion. As an NGO with limited means and staff, PC's initial goal was more basic. That is, rather than advising the government on how to reform the system, PC wanted first to create the background information from which the public could be better educated, and eventually to spur a debate leading to reform. One must recognize that PC cannot be, nor is meant to be, a replacement for political parties and their leadership.

Cast in this light, PC's greatest accomplishment should be seen as becoming a catalyst of ideas for change. In that capacity, the role it has played has been very important in Argentine society. It is therefore reasonable to conclude that what reform legislation has come out of Argentina in the 1990s may have been influenced by PC in an *indirect* fashion.

For instance, out of the databank project one significant aspect that has been incorporated in new legislation has to do with the disclosure of assets. In the late 1990s, the bad reputation that his administrations had earned over the years induced President Menem to create the Office of Public Ethics, which borrowed several features from its U.S. counterpart. Although this bureau remained basically dormant during Menem's second term, it introduced the *declaración jurada* (sworn statement) in which all appointed public officials had to give full disclosure of their assets. Some of the staffers of the OEP that we interviewed in the late 1990s thought that this particular aspect could be a helpful tool for actually investigating public officials on grounds of illicit enrichment, since their declarations could serve as a basis of comparison vis-à-vis their real assets.

PC was the first NGO in Argentina to introduce the notion of public disclosure of assets in the early 1990s.¹⁷ Although it cannot be proven that the OEP borrowed this tool from the databank project, most observers credit PC with the idea. Eventually, in the first half of 2000, the AOC has used the sworn statement as crucial evidence in investigating cases of illicit enrichment involving former public officials of the Menem era.

Another indirect influence of PC's actions can be seen at the local level. PC provided its experience and suggestions through its staffers to the Federal District city council, which eventually adopted a new campaign law creating a system that is far more transparent and open to public scrutiny than its federal counterpart. This has been possible in part due to the fact that one of the members of PC's board of trustees became

¹⁷ Congress and other government institutions did collect sworn statements before but they were not accessible to the public.

a council member within the ruling Alianza coalition, and strongly pushed an agenda advocating reform in government procurement and campaign finance.

The importance of PC's role has been acknowledged during the interview process by congressional staffers who have long been working on the issue of campaign finance reform. A draft bill that is currently under study, makes NGOs part of the framework for external oversight of the operations of the Federal Electoral Tribunal. Although details were not disclosed at the time of our interview, congressional staffers recognized that NGOs like PC, can play a crucial role both as impartial trustees of the public interest (i.e. insulated from the tacit agreements often occurring between federal officials and party representatives), and as an organization whose experience in the field can become valuable in solving partisan disputes.

While President de la Rúa made some important strides forward in the fight against administrative corruption upon taking office, there is no sign yet that an equal effort will be made toward revamping the actual legislation on campaign reform. If the way De la Rúa dealt with former Vice President Alvarez's proposal to reform the way Congress does business is any indication of what is in store for the future (see the beginning of Chapter IV), things do not look bright. Even congressional staffers of the UCR who have studied this issue for a long time have expressed in private their skepticism that something meaningful will be undertaken any time soon. Indeed, the large discrepancies between party campaign figures and those estimated by Poder Ciudadano in the 1999 presidential elections suggest that politicians are still covering up the management of huge sums that escape any control. Ground has indeed been gained, but the struggle continues.

Chapter VI

Lessons

We have seen in this study that political institutions created in Argentina, while democratic at first glance, either acquired too much power (the Executive) or were subordinated to the Executive (Congress and the Judiciary). Moreover, such institutions did not abide by the spirit of the constitution, but worked according to practical rules that were often in violation of the Constitution itself. This is why in Argentina, as well as in most of Latin America, people over the years have come to perceive democratic institutions as means to further the narrow interests of political elites and their cronies. As a result, those oversight institutions that the Argentines adopted to conform to modern administrative standards over the last century, instead of restraining the power of the Executive, remained weak. Under former President Menem there was a deliberate attempt to weaken checks and balances even further. This has made it possible for corruption to thrive. If we add to this specific situation the fact that for centuries Argentines have grown accustomed to authoritarian behavior by public officials, we can partly explain why people have displayed more tolerance of government abuses (particularly in the countryside) than would be true in an established democracy.

Following the same logic, we can understand why little has been done in order to make campaign financing more transparent. On the one hand, many Argentines have traditionally assumed that politicians would enrich themselves while in office and, on the other hand, members of both the opposition and the majority in Congress come from a political tradition where loyalty goes to the party rather than to constituents. Making campaign financing an open, transparent process would de-establish long-practiced forms of special deals with the business community, as well as with special lobbying groups like unions, professional associations, etc. This is why, once left to their own devices, neither Peronists nor Radicals pushed for tangible reform. In fact, the presidential candidate who released the least amount of information about his campaign to Poder Ciudadano in 1999 was Fernando de la Rúa, the same person who ran on a transparency/anti-corruption platform.

Based upon the preceding analysis, it is possible to identify a number of *lessons* for those involved in this area:

Campaign finance reform must make transparency and enforcement its top priorities. In many Latin American countries, part of the corruption problem in campaign finance stems from a large number of loopholes in existing legislation. Further, if the existing laws were actually applied, the situation would surely be much better than it is. Unfortunately, the tendency is to produce more legislation prescribing stiffer penalties, but as we have seen, the control mechanisms are either unable or unwilling to act. Therefore, effective reform means improving existing laws while strengthening their enforcement (Ferreira Rubio 1998; Sabsay 1998).

In the case of Argentina, there are some specific trouble areas that should be targeted by these general comments. The *Cámara Nacional Electoral* should be made truly independent from political meddling, and courts at the district level should be strengthened to deal effectively with electoral matters. Also, the management of electoral registration from the Ministry of Interior should be transferred to an independent board accountable to the legislature, as is done in many European countries. In addition to targeting these areas, current loopholes in the law must be closed and greater transparency in the existing procedures must be ensured, in particular requiring parties to publish their actual campaign expenditures. This last measure has been successfully attempted in Argentina through the “Integrity Pact” sponsored by PC. If an NGO can accomplish that through voluntary cooperation, mandating it by law seems the logical next step.

Local experiments may be the best starting point. In Argentina, a good point of departure for future reform is provided by the current campaign finance law of the Federal District. While such a law still leaves room for improvement, it can easily be used as a model by the federal Congress to revamp the current legislation that is clearly obsolete. In this case, again, emphasis should be placed on the enforcement side of the law. More broadly, this suggests that a decentralized approach may yield local successes, especially in politically active urban centers that point the way to comprehensive reform.

Strengthening oversight institutions and reducing incentives for rent-seeking are long-term priorities. We saw that oversight institutions were either weakened or ignored under the Menem administration. For democracy to work, citizens must be confident that both elected and appointed officials face the same treatment under the law. Moreover, effective oversight of public sector activities vulnerable to corruption – especially regulation, state enterprise management, budgeting, government contracting, and other aspects of economic management – reduces politicians’ incentives to buy public offices. A larger issue is the extent of public sector intervention in the economy. The consolidation of economic liberalization in Argentina and across Latin America, coupled with improved oversight, should re-direct much of the energy now expended on illicit rent-seeking towards legitimate competition and creation of shareholder value. Historical patterns elsewhere point to this result. International development assistance can effectively be targeted to support this outcome, as it has elsewhere.

Politicians do not lead the way to reform, but rather act upon being pressured. Political parties are unlikely to initiate reform in the absence of a major crisis. It is quite clear that most Argentine parties benefit from the lax nature of the existing system. Expecting Congress to reform the system dramatically is unrealistic at least in the near term. The large number of bills presented in the Congress on this matter in the last two decades that never reached the voting stage is a clear indication of the parties’ aversion to true change. Unless a major political scandal creates massive public outrage, as happened in Italy in the early 1990s, parties will engage in delaying tactics that at best may produce marginal changes.

This has been the fate of most attempts to reform campaign finance at one time or another, from Latin America to the U.S., Europe, and Japan. Parliaments and parties are both representative and self-interested. The individual costs of forgoing questionable campaign finance methods are seen as prohibitive (i.e. handing victory to one's opponent), hence the collective good of a clean campaign finance system emerges only with extreme difficulty. In Argentina, although political debates in and outside Congress have been going on since the country returned to democracy, very little tangible reform has taken place in electoral campaign finance.

Pressure by civil society is most likely to produce lasting change. The questions addressed by PC and like initiatives around the world are these: How can the political calculus blocking reform be changed? What incentives will induce political leaders to join the reform camp, possibly at great cost to their campaigns? How to break the reform logjam – and indeed, where to begin? In Argentina, the evidence clearly points to civil society as the driving force for change in campaign finance rules. The first move in the direction of meaningful reform, the new campaign law passed by the Federal District, is the result of a grassroots campaign emerging from civil society in which Poder Ciudadano played an important role.

The importance of Poder Ciudadano's initiative for similar NGOs in developing countries rests on the fact that efforts by civil society to demand accountability and transparency can indeed make an important contribution and create pressure on politicians to act upon issues that otherwise would be conveniently ignored. Prior to PC's initiative, reform was primarily confined to academic debates and reform projects that invariably came to nothing, since politicians had no incentives to promote change. As PC forcefully put the issue on the table and attracted media attention, many politicians found themselves compelled to cooperate since many came to realize that establishing transparency credentials is something on which informed voters may look favorably. The Federal Capital's campaign law in this regard shows that change is not only possible, but also feasible in a context where civil society demands accountability.

Of course, even more difficult issues surround the emergence of an effective civil society itself. In societies where civic values are strong and networks of citizens to solve local problems are extensive, people demand better government and often get it (Putnam 1993). On the contrary, areas that have long been subject to autocratic rule display low levels of civic habits as people are trapped in patron-client relations for fear of being excluded from the most basic of rights. It is not by chance that Poder Ciudadano started in Buenos Aires, one of the most cosmopolitan and socially diverse cities in Latin America. The kind of social consciousness and activism shown by PC and other NGOs in the Federal Capital have prompted significant changes in the way the government of the City of Buenos Aires dealt with campaign financing and other issues related to citizens' rights. The same phenomena did not take place in the interior of the country where more traditional patterns of life have withstood the passage of time. Thus, there are clearly some social prerequisites for an effective campaign by civic organizations, and even more obviously, there are institutional requirements such as a modicum of civil rights protection and a relatively free press. However, less developed countries may

make up for some ground, particularly if local NGOs receive support from abroad. Indeed, the encouragement from the international community through economic and technical assistance has helped speed the process, by fostering civic associations across Latin America.

Donor support is a necessary, but insufficient condition for success. Poder Ciudadano, as well as other NGOs at the provincial level, have worked well with limited resources primarily coming from abroad. It is reasonable to suspect that with larger funds and staff more robust results could have been attained. It is also clear that one problem with Poder Ciudadano's projects is that they have been carried out without the collaboration of similar NGOs in the Federal District. If campaign reform is an issue of interest to several NGOs working on ethics-related matters, greater cooperation among PC and other NGOs is essential to create a critical mass that can increase pressure upon politicians to act. Donors could facilitate such an effort by funding programs that make cooperation around a joint program a prerequisite for financial support. Admittedly, this is not an easy task since many NGOs are jealous of their own identity and projects.

Second, donors should also emphasize the development of policy proposals from NGOs that can be presented to political parties. So far, PC has focused on data gathering and projects fostering political accountability. Its representatives have also participated in several symposia on this subject. The next logical step is to push the stakes of the game a notch higher by developing, based upon the rich experience so far acquired, alternative ways to solve the problem from the unique perspective of a citizens' association. Otherwise, the leadership and collective action parts of PC's advocacy formula (see above) are likely to remain unfulfilled.

Ultimately, it is up to political leaders to legislate reform in Congress. Unfortunately, we have seen that in the actual state of affairs there is really no incentive for parties to change the status quo. Donors, therefore, should intensify their effort to support NGOs' programs aimed at asserting civil society's influence over political institutions, with an equal effort on the longer-term strengthening of oversight institutions. Donor agencies could play an equally important role by putting pressure on recipient governments to upgrade their control mechanisms. One of the ways to accomplish this is by setting up training programs for those judges and public officials who are entrusted with the authority of upholding electoral and campaign financing laws. Another approach entails using aid as an incentive to strengthen institutional controls. Furthermore, the holding of meetings between legislators on the one hand, and NGOs promoting a reform agenda on the other, may be conducive to cross-cutting coalitions between parties and civil society that could bring tangible results down the line.

Donor support may enhance NGOs' credibility: The experience of Poder Ciudadano suggests that support from U.S. government agencies and independent foundations, rather than generating nationalistic feelings can actually enhance the credibility of the task that a given NGO is undertaking. This is because in the mind of many politicians and public officials such foreign aid is now perceived as helping the country (in our case Argentina) in solving its problems. It is reasonable to suspect that U.S. government-sponsored aid

will be more welcome in countries that are not deeply ideologically divided and where U.S. investments are not controversial.¹⁸

Demonstration effects multiply impact. PC's programs had a noticeable demonstration effect. In order to promote its activities and share its experience with other NGOs both at home and in other Latin American countries, PC started a new project called "Latin American Network for Democracy," which consisted of a training workshop on the production of the databanks for candidates.

These workshops took place in different parts of Argentina as several NGOs in the rest of the country began to ask for PC's assistance to start similar programs in their cities (keep in mind that the profile databank was limited to candidates running in the Federal District). Such NGOs included *Ejercicio Ciudadano* (Rosario), *Participación Ciudadana* (Salta), *Fundación Compromiso Ciudadano* (Neuquén), *Organización Integridad* (Mendoza), *Acción Ciudadana* (Mar del Plata), and *Centro de Estudios Nueva República* (Río Negro). All of them began to develop similar programs by adopting PC's methodology. According to PC staffers, this collaboration has worked well so far and has produced a new set of cooperative agreements covering elections at the congressional and presidential levels. In this case, PC shares its information about congressional and presidential candidates with the NGOs mentioned above.

Likewise, PC's innovative approach created interest among similar civic associations across Latin America confronting the same issues. For instance, in 1996 PC assisted the Mexican NGO, the *Asociación Nacional Cívica Feminina* (National Feminine Civic Association, ANCIFEM) in organizing a databank of its own in the city of Puebla, one of the country's largest. A similar methodology used in Argentina was repeated in Mexico and 5,000 copies of candidates' profiles were distributed to the public. An important difference was that ANCIFEM, rather than using interviewers, mailed the questionnaire directly to the candidates. In 1998, ANCIFEM and PC gave a workshop on candidates and party profiles at the seminar "Vital Voices of the Americas" held in the Uruguayan capital of Montevideo to political leaders and NGO representatives from around Latin America.

Other countries in which local NGOs requested PC's assistance are Colombia (1998), Panama (1999), Guatemala (1999), Ecuador (2000), and the Dominican Republic (2000). The collaboration with all these different NGOs was sponsored through the Inter-American Network for democracy funded by the U.S. Agency for International Development. In the past few years this has resulted in a series of seminars and information gathering in several Latin American countries. PC is currently developing plans to provide its methodology to other NGOs in order to replicate its experiments in

¹⁸ As a cautionary note, several Argentine politicians pointed out in interviews that foreign governments' attempts to promote campaign reform in Latin America at times look bewildering to them—when in the United States, Republicans and Democrats have charged one another with using all kinds of tricks to bypass the law regulating the same matter. This suggests that programs targeted toward Latin American officials should be aware of this kind of criticism and propose the subject in ways that are not offensive to their audience.

South America, Mexico, and some Central American countries under the auspices of Transparency International.

Six habits of highly effective NGOs: The PC experience suggests a number of strategic points that like-minded organizations would do well to bear in mind. As these address specific “how to” issues concerning NGO campaigns, they provide a fitting conclusion to this case study:

1. *Start with transparency:* This is perhaps the most obvious lesson. The availability of information makes many other things possible. If the basic prerequisites are in place (see above), imposing transparency can be relatively quick and easy – a kind of “big bang” reform. A quick victory here may help build momentum for more change.
2. *The domino effect:* In other words, the name of the game is applying the techniques of “naming and shaming” and rewarding good performance. The objective of the game is to encourage individual politicians to defect from the existing “gentlemen’s agreement” – whether as a matter of conscience or as a means of gaining short-term electoral advantage – and thereby building pressure on hold-outs. Eventually, the question becomes not “Why?,” but “Why not?,” and failure to join raises suppositions about hidden activities.
3. *Take volunteers, but verify too:* Transparency is only as good as the quality of information revealed. Disclosure can mislead if it is not accompanied by cross-checks and verification. These tasks often prove difficult and require both material resources and expertise – commodities that NGOs often find hard to obtain. Where disclosure is voluntary, i.e. not backed up by realistic legal sanctions, a still greater burden is placed on civic organizations to tap other sources of information and to mobilize social pressure.
4. *Mobilize the private sector:* The business community has the most immediate stake in the campaign finance system, and is usually the most obvious “deep pocket” for NGO initiatives. Thus, a parallel process of picking off firms and business associations – i.e. encouraging them to depart from the old system and to provide material support for transparency initiatives – should accompany NGO efforts to win over politicians, to the extent possible.
5. *Don’t give them the satisfaction:* As PC discovered, opponents will exploit any opportunity to discredit reformers. Some of this may be unavoidable, but NGO campaigners would do well to screen their activities and personnel very carefully in order to avoid potential conflicts of interest, to defuse potential questioning of the group’s motives, and to project a credible “squeaky clean” image.
6. *Follow through:* It is perhaps obvious, but worth repeating that NGO campaigns are not ends in themselves. The touchstone of success is a functioning campaign finance system with a well-crafted legislative basis and effective monitoring organizations both within the state and without. Keeping one’s “eyes on the prize” can be

important, since opportunities to push through legislative reform at national and local levels are easily squandered. This suggests that NGO alliances with public officials and the private sector have both short-term objectives such as cooperation for full disclosure and independent monitoring, as well as longer-term objectives such as strengthened legislation, formal oversight, and public financing.

APPENDIX

Integrity Pact

What follows is the Integrity Pact agreement signed in March 2000 by Domingo Cavallo, the leader of one of the three main tickets competing in the Federal District elections, and PC. The same type of agreement was signed with the heads of the tickets of the other two major parties.

Agreement of Collaboration for Transparent Elections

In the Federal District of Buenos Aires, on 14 March 2000, Dr. Domingo Cavallo candidate of the alliance Encuentro por la Ciudad for the Chief of Government of the Buenos Aires Federal District and Carlos March, General Coordinator of the Poder Ciudadano Foundation, the Argentine chapter of Transparency International, convened to undersign the present Agreement of Collaboration for Transparent Elections. Through this agreement the candidate guarantees a transparent electoral process, by assuring to the citizens the access to the information tied to the financing of the electoral campaign.

First: The Candidate solicits from the Foundation the completion of an audit of the expenditures and the origin of the funds that took place during the electoral campaign that will close on 7 May 2000.

Second: The Candidate agrees to produce a memorandum indicating the funds received as well as the expenditures incurred with regard to the electoral campaign for the corresponding months of March, April, and May, detailing the nature, origin, amount, type of use and specifying if funds were of private or public nature.

Third: These monthly memoranda will be delivered to the Foundation within the first ten days of March, April, May, and June respectively.

Fourth: The Candidate agrees that he will explain whatever difference emerges from the research that the Foundation will perform.

Fifth: The Foundation, for its part, accepts the task that it is entrusted with and pledges that, with the support of citizen volunteers and through agreements with specialized firms, will survey the expenditures of the campaign by comparing them with the data submitted by the candidates and by explaining eventual differences.

Sixth: The Foundation will produce monthly a report that will be sent to each candidate and will be published to inform the citizenry. Such a report will be published by Poder Ciudadano the first week of the following month.

Seventh: Once the campaign is over, the Foundation will issue a final report in which it will produce the final data.

Eighth: The Foundation agrees to behave in an absolutely impartial way, by refraining from producing information that is biased or cannot be verified, and by explaining any misunderstanding that may arise.

Ninth: The following are the items to be audited: 1) Advertisement through public means; 2) Printed advertisement in newspapers and magazines. This includes the notices that promote campaign rallies or events and their broadcast through television and/or radio; 3) Television distinguishing: a) publicity ads; b) time bought for the live or recorded broadcast of rallies or events of the campaign; 4) Radio distinguishing: a) publicity ads; b) time bought for the live or recorded broadcast of rallies or events of the campaign; 5) Fixed publicity in soccer stadiums; 6) Internet advertisement; 7) Public opinion polls; 8) Well-known events, and stands on public streets; 9) Hiring of national and international consultants; and 10) Money paid to advertisement firms.

Tenth: In disclosing advertising prices, the discounts that the market offers for this kind and quantity of publicity must be taken into account.

Eleventh: The Foundation will be in charge of monitoring Law No. 268 of the Federal District, and will inform the public of the degree of compliance with such a law with regard to the norms of financing and regulation of campaign finances.

Based upon these provisions, the parties mentioned sign two copies of the same document on the date mentioned above.

Carlos March
General Coordinator

Signature

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